EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

FT No. 31,499

Tuesday July 9 1991

D 8523A

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**TOSHIKI KAIFU**
Shouldering the burden of shame
Page 22

## World News

### Iraq admits nuclear arms plans, says White House

Iraq has admitted trying to develop nuclear weapons, White House spokesman Marlin Fitzwater said yesterday, but Baghdad must still open its nuclear facilities to international inspectors.

He welcomed the fact that Iraq had given the United Nations a list of its nuclear materials but said that did not change the need for inspections. Iraq hands over list, Page 3

**Yugoslav deal**
Slovenia began implementing the deal agreed between the European Community and Yugoslavia's leaders. As part of the accord, Slovenia freed 300 captured federal army officers. Page 22; Crisis adds lustre to career, Page 2; Editorial comment, Page 20

**Start talks**
Soviet officials will go to Washington later this week to try to break the deadlock over a treaty to cut strategic nuclear weapons. Page 22

**Tanks leave Algiers**
Tanks and troops pulled out of the Algerian capital, Algiers, leaving only a fraction of the forces deployed to police the state of siege which followed fundamentalist unrest last month. EC credit, Page 3

**Illegal immigrants**
French prime minister Edith Cresson said she was considering chartering flights to ensure that illegal immigrants ordered out of France left the country and did not escape expulsion. Page 2

**UK pollution move**
British prime minister John Major announced a national watchdog to police air and water pollution and promote global environment programmes. The plan unites the functions of existing pollution agencies. Page 8; Editorial comment, Page 16

**Palestinians 'still armed'**
Palestinian guerrillas in Lebanon have surrendered less than 10 per cent of their heavy and medium weapons, the Israeli-backed Lebanese army claimed.

**Madagascar protest**
As a general strike gripped Madagascar, about 400,000 people took to the streets of the capital, Antananarivo, to demand the resignation of President Didier Ratsiraka. The protesters want the country's socialist constitution scrapped. Page 3

**Asian human rights**
Torture, arbitrary arrests and increased executions in Asia are highlighted in the annual report of human rights organisation Amnesty International.

**US navy downs plane**
The US Navy shot down one of its own reconnaissance aircraft over the eastern Mediterranean after its five crew bailed out when it caught fire.

**Mudslide kills villagers**
Heavy rains in China unleashed a mudslide which killed more than 30 people

**Mafia cache uncovered**
Italian police found pistols, ammunition and plastic explosive in a Sicilian basement room thought to be used as a weapons dump by the Mafia.

**Jail-break probe**
UK home secretary Kenneth Baker ordered a prison security review after a jailbreak by two suspected IRA terrorists had sparked calls for his resignation.

**Gored by bulls**
Runaway bulls gored and seriously injured a Swede and a Norwegian woman at the second bull-run of of the annual San Fermin festival in Pamplona, northern Spain.

## Business Summary

### Daimler-Benz may buy 34% stake in Sogeti

DAIMLER-BENZ, German car and aerospace group, is preparing to pay between FFr1.3bn ($210m) and FFr1.5bn for a 34 per cent stake in Sogeti, French holding company which controls Cap Gemini Sogeti, Europe's leading computer services group, partly through acquisition of existing shares and partly through an issue of new equity reserved for the German company.

The deal, responding to growing competition in the software industry, should be finalised this summer. It is an important step in CGS's attempt to become the world's largest computer services group. Page 23; marriage that expects other partners, Page 24

US, still the richest country, was the only important industrialised country to show a fall in real living standards last year, according to the private, non-partisan Washington-based Council on Competitiveness. Page 22

CONTINENTAL, German tyre company holding co-operation talks with Pirelli, has appointed as new chief executive Mr Hubertus von Grünberg, head of the automotive division of ITT Corporation of the US. Page 23

HUTCHISON Telecommunications UK, said it had bought Microtel Communications, the mobile communications venture, or personal communications network, led by British Aerospace. BAe has taken a 30 per cent stake in Hutchison Telecom, UK subsidiary of Hong Kong-based Hutchison Whampoa group. Page 23

AUSTRALIA'S government-owned Commonwealth Bank announced the A$1.34bn (US$1.02bn) flotation of 29.75 per cent of its capital, the country's biggest share issue. The flotation values the bank at A$4.5bn. Page 24

LAC MINERALS, Toronto-based gold producer, has increased its bid for the 35 per cent of Bond International Gold it does not already own after protests by minority shareholders and an independent valuation. Page 24

RAFIDAIN BANK, Iraqi state-owned bank whose London branch is at a standstill after international sanctions, is the subject of a petition by the Bank of England seeking to wind it up. Page 8

CREDIT LYONNAIS, French bank which lent to Mr Giancarlo Parretti, the Italian financier when he acquired the MGM film studios last year, has activated its voting rights in Pathe Communications Corporation. Page 22

UK ECONOMY: new statistics show a sharp decline in consumer credit, the biggest annual fall in high street spending for more than a decade and a large increase in company receiverships. The figures underline the weak state of consumer and industrial demand, and imply that a sustained upturn is unlikely before the end of the year. Page 8; Lex, Page 22

ARGENTINA: the economy minister, and Iberia, Spanish airline, appear to have reached final agreement on payment for 85 per cent of Aerolıneas Argentinas, national carrier, eight months after it was privatised. Page 24

NICKEL: for the second time in four months the Mint Fund, California-based organisation 50 per cent owned by E.D. & F. Man, London trade house, was at the centre of a technical squeeze which had driven up prices on the London Metal Exchange. Page 32

CHILE's rapid trade reform, along with domestic stabilisation, is a sound recipe for improving a country's economic performance, according to Gatt's review of its trade policy. Page 4

# Abu Dhabi asks UK to explain BCCI closure

By David Lascelles and Alison Smith in London, Victor Mallet in Abu Dhabi and Andrew Hill in Luxembourg

TOP BANKING officials from Abu Dhabi, whose ruler is the largest shareholder of Bank of Credit and Commerce International, arrived in London last night for urgent consultations with the Bank of England over the fate of BCCI.

The bank was shut down last Friday in a worldwide operation which the UK central bank said followed the discovery of large-scale fraud.

The Abu Dhabi officials will demand an explanation from the Bank of England for its decision to seize BCCI's assets without telling Abu Dhabi - while allowing the emirate to continue injecting funds into BCCI as it proceeded with a complete restructuring of the bank's management. But the UK central bank will also be seeking the emirate's help in compensating the victims of the closure.

The delegation includes Mr Abdul-Malik al-Hamar, governor of the United Arab Emirates central bank; Mr Ghanem al-Mazrui, secretary-general of the secretive Abu Dhabi Investment Authority and head of the Private Department of Sheikh Zayed bin Sultan al-Nahyan, the Abu Dhabi ruler who owns 77 per cent of BCCI.

They will meet Mr Eddie George, the Bank of England's deputy governor, and possibly Mr Robin Leigh-Pemberton, the governor, who is due back from a G10 meeting in Basle tomorrow.

■ Damage to banks: few real clues to who is exposed.. Page 6
■ Court action against parent bank.......... Page 6
■ Luxembourg's banks close ranks.......... Page 6
■ Reaction from branches around the world.......... Page 7
■ Bank employees high on list of losers.......... Page 22
■ International bonds.......... Page 27

Abu Dhabi is angry about the international seizure of BCCI's assets, but it is not expected to condemn the action publicly until its representatives have seen the evidence to be presented by the Bank of England.

"Maybe it's premature to be annoyed now," said one senior Abu Dhabi official yesterday. "The Bank of England is a respectable organisation. We need to know the real facts and the real rationale for what it did."

So far Abu Dhabi has given no indication of whether it will agree to bail out depositors by making good any shortfall of funds as BCCI's affairs are wound up. Asked whether Abu Dhabi would continue to support the bank, one of the shareholders said: "What is there to support now that the Bank of England has moved in?"

In Luxembourg, where BCCI's European arm is registered, a court put the bank into formal controlled administration which will shelter creditors, depositors and shareholders, while a court-appointed commissioner examines the collapsed group's affairs.

Mr Pierre Jaans, director-general of the Institut Monétaire Luxembourgeois, which supervises the banking sector, hinted yesterday that liquidation was the most likely option. He also revealed that the BCCI fraud went back "beyond 1985", although he would not give further details.

In London, Britain's Serious Fraud Office, which was handed documents about BCCI by the Bank of England last week, confirmed it had begun an investigation. The SFO said: "We cannot say how long the investigations will take but the matter will be dealt with as expeditiously as possible."

Mr John Maples, economic secretary to the UK Treasury, meanwhile, faced criticism in the House of Commons over the handling of the closure.

He defended the Bank of England's actions, saying while there had been rumours for some time, there was no hard evidence on which the Bank could have justified withdrawing the licence until the Price Waterhouse report showing widespread fraud was received about ten days ago.

"A new officer of the bank [BCCI] told the Bank of England that he thought there were some strange goings-on and some unrecorded transactions in the bank's books, at the beginning of this year. Very shortly afterwards, Price Waterhouse was asked by the Bank of England to conduct an investigation.

Under Britain's Deposit Protection Scheme, UK residents with accounts in UK branches of BCCI will be refunded 75 per cent of their deposits, up to a maximum of £15,000.

Mr Maples resisted pressure to provide additional help for depositors, saying that the £15,000 limit had been fixed to help small depositors specifically, and it would be unwise to "pick and choose between the relative merits of creditors".

The Bank of England yesterday called in senior executives from the main UK commercial banks to ask them to deal sympathetically with victims of the BCCI closure who turned to them for banking facilities.

Finance minister Hashimoto tells reporters the fines are for unfair and unethical practices, not for "illegal acts"

# Japanese securities houses penalised

By Robert Thomson in Tokyo

JAPAN'S Ministry of Finance has penalised the country's four leading stockbroking houses for their involvement in a spate of financial scandals.

The MoF ordered the four – Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities – to suspend trading with corporate investors for four business days from tomorrow .

Mr Toshiki Kaifu, the prime minister, said in an interview yesterday he would strive to ensure the scandals were not repeated.

News of the punishments was preceded by a sharp fall on a nervous Tokyo stock market, which was down 3.1 per cent on the day to 22,176.17, the lowest level for the year. There were fears that the upheaval in the securities industry could push the market down further in coming days.

The suspension follows the companies' admission that they compensated select corporate clients for trading losses.

Nomura and Nikko, whose presidents have already resigned, were also ordered to limit activity for four days at their head office marketing divisions for having done business with gangsters. Affiliates of the two houses allegedly lent a total of Y36bn ($257m) to a crime syndicate figure and bought memberships in a gangster-run golf club.

Meanwhile the Tokyo Stock Exchange announced that Continued on Page 22

Interview, Page 22

Appointment will add stature to Bank for International Settlements

# Corrigan to head bank watchdog

By David Lascelles, Banking Editor, in London

MR Gerald Corrigan, the president of the New York Federal Reserve Bank, is to become the top international banking watchdog.

He was chosen yesterday by the governors of the world's 10 leading central banks to head the Committee on Banking Supervision which is based at the Bank for International Settlements in Basle. The committee consists of senior banking officials from the leading industrial countries, and sets policy for regulating the international banking industry.

The appointment of such a high level figure will add considerable stature to a body which has already had a major impact on the world banking system through its introduction three years ago of new bank capital rules, known as the Basle ratios.

Mr Corrigan, 50, has headed the New York Fed for the last six years, during which time he has become the US' leading spokesman on supervision issues. He succeeds Mr Huib Muller, an executive director of the Dutch central bank who died last month.

Mr Muller's predecessor was Mr Peter Cooke, a former executive director of the Bank of England, who gave the committee the name by which it is best known, the Cooke Committee.

Mr Corrigan's appointment comes at a time when the Basle ratios, which determine how much a bank can lend, have faced criticism for constricting banks' ability to fund a recovery in countries like the US and the UK. But he said yesterday that he would resist pressures to relax the ratios. "I for one would not want to see any retreat from the progress we have made," he said.

The Basle Committee also acts as a channel of communication between national banking authorities. Yesterday's announcement came only three days after the worldwide swoop on BCCI.

Mr Corrigan said that the action showed that "very close cooperation existed between national authorities", but the decision to close down the bank was taken at national level, and not by the Basle Committee.

With his heavy build and deep gravelly voice, Mr Corrigan is a well-known figure in international banking circles. Originally a protege of Mr Paul Volcker, the former Fed chairman, he holds pronounced views on banking matters. In particular, he has been a strong advocate of reform of the US banking system.

Mr Corrigan said yesterday that the priority for the Basle Committee was to extend the capital rules to cover new areas of activities for banks, beyond lending. These include market risks in dealings in money and foreign exchange, as well as in securities.

This was a complex area, he said, because it required bank rules to be harmonised with those covering other types of dealing institutions such as securities houses. But he hoped proposals would be ready by the end of this year.

BIS profile, Page 2

# Slovene leaders split over EC-backed Yugoslav deal

By Judy Dempsey in Zagreb and Laura Silber in Belgrade

SLOVENIA yesterday began implementing the agreement forged between the European Community and Yugoslavia's leaders, despite bitter disagreement among leaders of the rebel republic.

The 300 federal army officers still held in Slovene prisons were being released under the terms of the peace accord, which was reached in talks on the Adriatic island of Brioni late on Sunday.

As well as the release of all federal army officers, the agreement calls for the return to barracks of all Slovene and federal army units, the return of all equipment and weapons seized by Slovene forces from the federal army, and restoration of the republic's customs posts to federal control.

Mr Milan Kucan, president of Slovenia, welcomed the EC agreement. However, he said it needed to be ratified by the republic's parliament tomorrow and he was unable to say whether it would gain the necessary backing.

Mr France Bucar, president of the Slovene parliament, said the agreement amounted to "virtual surrender" by the republic.

Slovene "hawks", led by Mr Janez Jansa, the defence minister, and Mr Igor Bavcar, the interior minister, oppose any compromise over control of the republic's external borders.

Some of the republic's territorial defence units, which have faced the federal army, have yet to receive instructions to return to barracks and many barricades are still in place.

Slovene officials said privately that the leadership was under intense pressure from the EC to accept the accord.

In neighbouring Croatia, growing tension between ethnic Serbs and Croats could threaten the peace accord. Mr Borisav Jovic, Serbia's representative on the state presidency, said his republic would protect the Serb minority in Croatia if it decided not to join an independent Croatia. He said a referendum should be held in Croatia to decide the republic's borders.

At least six people died on Sunday after fighting broke out between ethnic Serbs and Croats in the town of Tenje, south-east of Zagreb, the capital of Croatia. The federal army moved in to separate both communities and imposed a ceasefire.

"If Croatia does not respect the [Serbs] ... then Serbia will have to assist them", Mr Jovic said.

His statement came hours after Mr Slobodan Milosevic, the president of Serbia, inspected the republic's territorial defence units.

Serbia last week called up reservists in preparation for a possible intervention in Croatia if the ethnic Serb minority, which accounts for 11 per cent of the republic's 4.5m population, is attacked by the Croatian army.

Formidable hurdles, Page 2
Editorial Comment, Page 20

This announcement appears as a matter of record only.

The assets of

**B.A.L. (UK) Limited**

(in administrative receivership)
have been acquired by
Foray 272 Limited, a new company

Arranged and negotiated by
CINVen

Equity provided by
British Coal Pension Funds
British Rail Pension Schemes
Barclays Bank Pension Fund

Price Waterhouse acted as investigating accountants.
Eversheds Wells and Hind acted as solicitors to the management
and Nabarro Nathanson as solicitors to the equity providers.

## CONTENTS



### Algerian government standing hinges on recovery programme

Algeria's economic recovery programme comes at a crucial time for President Chadli as foreign creditors show reluctance to extend credit lines and domestic unrest undermines the government's credibility
Page 3



## MARKETS

**STERLING**
**New York lunchtime:**
$1.6335
**London:**
$1.628 (1.616)
DM2.95 (2.9525)
FFr10.005 (10.0)
SFr2.545 (2.545)
Y228.0 (223.5)
£ Index 90.0 (89.8)

**GOLD**
**New York:** Comex Aug
$372.1 (371.6)
**London:**
$370.6 (370.25)

**N SEA OIL** (Argus)
Brent Aug
$19.125 (+0.20)

Chief price changes yesterday: Page 23

**DOLLAR**
**New York lunchtime:**
DM1.8075
FFr6.1355
SFr1.5608
Y138.58
**London:**
DM1.8115 (1.8265)
FFr6.145 (6.1875)
SFr1.5625 (1.575)
Y138.75 (138.35)
$ Index 68.2 (68.4)
**Tokyo close:** Y138.75

**US lunchtime rates**
**Fed Funds:** $5\frac{7}{8}$%
**3-mo Treasury Bills:**
5.719%
**Long Bond:**
$92\frac{13}{16}$
yield: 8.538%

**STOCK INDICES**
**FT-SE 100:**
2,466.8 (−17.9)
**FT Ordinary:**
1,891.3 (−20.5)
**FT-A All-Share:**
1,181.25 (−0.7%)

**New York lunchtime:**
DJ Ind. Av.
2,924.87 (−7.6)
S&P Comp
375.54 (−0.54)
**Tokyo:** Nikkei
22,176.17 (−722.17)

**LONDON MONEY**
**3-month interbank:**
$11\frac{1}{32}$ ($11\frac{5}{32}$)
**Liffe long gilt future:**
Sep$91\frac{5}{8}$ ($91\frac{25}{32}$)

# Ukraine acts to block reforms from Moscow

By Chrystia Freeland in Kiev

UKRAINE, the Soviet Union's second largest republic, has taken steps to prevent radical reform measures organised by Moscow, such as laws on privatisation and foreign investment, from having any standing in the republic.

Ukraine has already put a brake on political union by refusing to sign the Union Treaty this summer. It is also using its industrial and agricultural strength to reject all central government-led economic programmes. These include, by implication, the most recent offering: the plan drawn up by Mr Grigory Yavlinsky and US economists for centrally co-ordinated, western-assisted economic reform.

In the republic's most significant move, the prime minister, Mr Vitold Fokin has categorically rejected an all-union denationalisation and privatisation plan conceived by Soviet prime minister Valentin Pavlov and accepted by the USSR Supreme Soviet last week.

Mr Fokin described the entire law as "unacceptable" in a letter to the Kremlin last Friday – the day Soviet President Mikhail Gorbachev met German Chancellor Helmut Kohl in Kiev to ask for financial aid from the representatives of the G7 leading industrial nations. Mr Fokin said: "De-nationalisation and privatisation of all enterprises and organisations on the territory of the Ukraine fall under the exclusive jurisdiction of the state authorities of the Ukraine."

He also said last week the Ukraine would refuse to make payments on any loans, such as those Mr Gorbachev is expected to solicit at the G-7 summit in London next week, assumed without the republic's prior approval.

Other examples of the Ukraine's economic assertiveness last week include:

● the Ukrainian parliament's near-unanimous vote to reject seven important central government laws on foreign currency, taxation and imports and exports;

● Mr Fokin's public clashes with Mr Pavlov and Mr Gorbachev during discussion of the union-wide anti-crisis programme in Moscow;

● substantial but discreet efforts to establish a separate Ukrainian currency.

Together these measures show that the Ukraine, although still taking part in the talks on a union treaty with the centre and eight other republics, is acting more like the six independence-minded republics refusing to take part – the three Baltic republics, Georgia, Armenia and Moldavia.

The Ukraine's stance is increasingly resented, not just by Moscow but by the other eight republics, including Russia, which have indicated they will sign the union treaty, with some reservations.

# Deputies seek to entice foreign investor

By John Lloyd in Moscow

THE Soviet government wants to woo the foreign investor, a figure highly prized in the rhetoric of Soviet leaders who have opted for the economic route to the world market.

The law on foreign investment, passed by the USSR Supreme Soviet on Friday though not yet officially published, is meant to be seen as a centrepiece of this turn to the market.

In some ways it is. The 15-page law gives foreign investors more rights than they have ever had in the Soviet period. Investments can be made by foreign individuals, companies, associations or states, and they can be made with Soviet partners or individually.

Foreigners can buy stocks and shares in Soviet companies, or government bonds, for roubles or hard currency. They can also use the property they acquire as security, and can re-invest profits they make in the Soviet Union or repatriate them in hard currency.

They are also able to acquire the property rights to buildings and other fixed capital, and can lease the land. They are able to make special agreements for concessions for the "prospecting, development and exploitation" of natural resources – a clause of particular interest to oil companies, many of whom have anticipated the law and are already concluding agreements.

Further, they can set up affiliates and branches of their companies throughout the Soviet Union and abroad and are allowed to fix free prices on the Soviet market and choose the partners with whom to do business.

If the government nationalises or expropriates their property, they have the right to compensation based on its worth at the time this occurred, in hard currency.

They have privileges, too.

Any company with a minimum 15 per cent foreign stake is exempt from the need for import and export licences and from paying import or export duties.

Their labour relations are regulated, in the main, by a collective agreement between them and their workers or by individual labour contracts. Disputes between the foreign investor and other enterprises or Soviet state bodies can, by prior agreement, be settled in foreign courts.

Where is the catch? First, in keeping with the new spirit of co-operation between the centre and the republics, most articles contain a sentence like "to be settled by subsequent republican legislation".

A special ministerial commission will co-ordinate investment in the Soviet Union, and Union law takes precedence over republican law if the latter offers worse conditions for up to 10 years.

There is significant scope for a war between republic and Union in which the foreigner is trapped in the crossfire. Meanwhile, and more to the benefit of the foreign investor, Soviet republics are already engaged in competition to attract what investment there is.

Second, there are some worrying weasel words. The largest weasel is in the clause on nationalisation – where it is blandly stated that foreign-owned property will not be nationalised "except in cases where it is carried out in the interests of society".

Further, foreigners cannot own or acquire shares in property and enterprises in the defence, medical, social and "moral" fields: nor can the foreigner buy shares in companies until Soviet citizens have had *first choice (though elsewhere*, the law says that foreigners and Soviets are on equal terms).

The provision governing labour relations says the conditions offered cannot be worse than those defined in Soviet and republican legislation – and that legislation does not allow firing without the consent of the other workers.

It is, like much other Soviet legislation, a law on which many influences are seen to play: those of western practice, of the various interests of Soviet ministries and other administrative power groups, and those of legislators who want to get to a new system but cannot let go of the old one.

THE Soviet Union is entering a critical phase that will decide whether reformers win over hardliners and whether a new post-Cold War order can be built in Europe, Mr Manfred Wörner, Nato secretary-general, said yesterday, Reuter reports from Brussels.

Mr Wörner also said the US was waiting to see the outcome of that struggle before deciding how many troops it would leave in Europe. "This is a critical phase in the development of the Soviet Union," he said. "The next one, two years will be decisive as to the future of the Soviet Union... whether reform will win over reactionary tendencies."

# Party 'liberal' faction likely to defect tomorrow

THE defection of a "liberal" faction within the Soviet Communist Party is expected to be announced officially tomorrow, further weakening the reformist wing of the party in the run-up to a crucial plenum on a new party programme, writes John Lloyd.

The break is expected to be made by the Communists for Democracy faction in the Russian parliament. Under Mr Alexander Rutskoi, the group distanced itself from the hardline Russian Communist Party during the election campaign for the Russian presidency, won by Mr Boris Yeltsin. It is expected to create a new party, the Democratic Party of Russian Communists.

Mr Rutskoi, now vice-president, is also a co-founder with Mr Eduard Shevardnadze and others of the Movement for Democratic Reform. The announcement, presaged by Russian TV at the weekend, is likely to come at tomorrow's session of the Russian Congress of People's Deputies, during which Mr Yeltsin will be formally inaugurated.

The breakaway, following that of the Shevardnadze group, is a further temptation to reformists in the party to leave an organisation regarded with growing distaste even by its own members. The main communist party newspaper Pravda warned at the weekend that party hardliners were now giving the impression it was trying to turn history backwards, and urged them to quit the party to give the reformers a clear field.

The Central Committee plenum, timed for July 25, is to discuss a programme already causing rifts between hardliners and reformists. Both are preparing for a fight over ideology, and over which side will retain title to the party's assets when the split finally comes.

● President Mikhail Gorbachev yesterday suffered a rebuff from the Supreme Soviet when deputies voted narrowly not to confirm Mr Konstantin Katushev as deputy prime minister and minister of foreign economic relations.

*Mr Katushev, 64, a long-time Party* and government administrator, was accused by some radical deputies of involvement in the sale of dachas at low prices to ministerial employees, an allegation he and Mr Valentin Pavlov, the prime minister, publicly rejected yesterday.

# IMF chief urges cuts in military budgets

By William Dullforce in Geneva

MR Michel Camdessus, managing director of the International Monetary Fund, yesterday called on governments to cut their military budgets and phase out subsidies to agriculture in urgent action to boost savings.

His appeal came as senior officials from the five permanent members of the United Nations Security Council – the US, Soviet Union, China, France and Britain – began two days of talks in Paris on controlling the international arms trade.

Mr Camdessus told the UN economic and social council in Geneva that the world economy needed to generate additional savings of more than \$100bn (£62.5bn) this year – a result of demands from eastern Europe, German unification and reconstruction in the Middle East after the Gulf war.

*These new claims are in* addition to the continuing investment needed to revive growth in middle-income debtor countries, to foster more efficient economies in the poorest nations, and to fuel recovery in industrial countries.

*In total, these demands* exceed the projected level of savings at unchanged interest rates.

Without new government measures the imbalance would be eliminated by normal market forces involving an increase in real interest rates. *This would have a severe* impact on developing countries.

The problem was manageable if governments co-operated to cut unproductive public spending, Mr Camdessus said. A 20 per cent reduction in military spending would raise savings of about \$100bn a year.

Elimination of government subsidies, notably those to agriculture, would save \$300bn a year.

# France to crack down on deportees

THE FRENCH government is considering special charter flights to ensure people ordered out of France actually leave, Mrs Edith Cresson, the prime minister, said yesterday, agencies report from Paris.

"The current [expulsion] system does not work," Mrs Cresson told journalists. Only about 35 per cent of people expelled actually left France as the law could not force scheduled airlines to take them against their will.

"I have asked the interior minister to take the necessary measures to make sure that when a judge orders a person to be expelled, because they do not qualify for political asylum, then they are in fact expelled," the premier added.

Unrest in suburbs with high Arab and African populations has made immigration France's most controversial political issue. The extreme right-wing National Front, which wants mass expulsions, captured 18 per cent of the vote in recent polls.

Mrs Cresson said special flights for those expelled could be arranged. She did not rule out the use of military transport but indicated she would not favour this solution. "It is not the role of the military," she said.

In an interview with the television channel TF1, Mrs Cresson said her proposal was neither a "drifting nor a skidding to the right. It is just that the law must be respected."

She said of 120,000 pending requests for political asylum in France, about 20,000 people would be accepted.

THE ECONOMY AND ARMY PROVIDE FORMIDABLE HURDLES

# Twin problems set to plague Slovenia

By Judy Dempsey in Zagreb

AGREEMENT between the European Community and Yugoslavia's leaders late on Sunday night marks the beginning of Slovenia's long road towards international recognition of its independence.

But there are uncertainties which could still prevent the Slovenes carrying their June 25 declaration of independence to its logical conclusion.

The first is the federal army. General Blagoje Adzic, the army's chief-of-staff, remains committed to protecting Yugoslavia's territorial integrity. It *may have boxed itself in.*

As Mr Hans-Dietrich Genscher, Germany's foreign minister, said at the weekend, if the army again attacked Slovenia the EC's non-recognition of the republic as an independent state would be reviewed.

Slovenia's government, which is divided between "hawks" led by Mr Janez Jansa, the defence minister, and "pragmatists" headed by Mr Janez Drnovsek, a member of the state presidency, is taking no chances. It has placed contracts with an engineering plant to make steel (and mined) barricades which are *being placed across the republic's* main intersections.

The second problem facing the republic is the economy, even though Slovenia is relatively the best placed of Yugoslavia's six republics.

Slovenia's industrial output fell 11.2 per cent in the first quarter this year, against the corresponding period in 1990. This compares with a drop of 19.2 per cent in overall Yugoslav industrial production over the same period.

Exports were down 0.1 per cent (8.5 per cent for the rest of Yugoslavia) in the quarter.

Mr Joze Mencinger, a former *deputy prime minister and economics* adviser to the Slovene government, said growth would continue to fall because of the independence declaration and subsequent crisis. This year's tourist receipts, which make up 12 per cent of GDP, have been wiped out.

"It will be difficult. Thirty per cent of our GDP – which last year totalled \$12bn (£7.5bn) – consists of exports. For a small country like ours, we need about 70 per cent."

Boosting foreign exchange exports will be difficult in the short term; more than 30 per cent of the republic's exports, *mostly white goods and electronics*, are earmarked for the rest of Yugoslavia.

The republic also needs foreign capital, preferably earned through privatisation. But the parliament has yet to approve a privatisation bill, which envisages first nationalising the republic's enterprises and then putting them on the market.

Slovenia is also saddled with debts. The public debt, which consists of domestic savers' hard currency accounts, totals \$2.5bn and has been already siphoned off by the National Bank of Yugoslavia, with which the republics have to deposit foreign exchange.

Mr Franco Arhar, head of Slovenia's central bank, appealed last week to foreign creditors for a grace period which would allow domestic savers to be reimbursed with funds which could then help stimulate the economy.

Slovenia's share of Yugoslavia's total \$14.8bn external debt amounts to \$1.8bn. Mr Mencinger believes this debt is manageable. "Our annual foreign exchange exports total \$4.6bn," he said.

In the meantime, Slovene inflation, running at more than 10 per cent a month, could reach 200 per cent by the year's end.

# Crisis adds lustre to career of Dutch foreign minister

By Ronald van de Krol in Amsterdam

IN NEARLY 10 years as Dutch foreign minister, Mr Hans van den Broek, 54, has gained more experience attempting to bind Europe and the US than in holding together the feuding peoples of south-east Europe.

But his central role in recent European Community efforts to mediate in the Yugoslav crisis has changed that, giving the minister an opportunity to hone his diplomatic skills in a new arena, beyond western Europe and Nato.

For Mr van den Broek personally, the EC's shuttle diplomacy in Yugoslavia could not have come at a better time. The declarations of independence by Slovenia and Croatia were made a week before the Dutch assumed the rotating six-month presidency of the EC on July 1, and Mr van den Broek has been in the international spotlight ever since.

Even without the threat of war in Yugoslavia to worry about, a successful Dutch presidency of the EC was always considered essential for the future of Mr van den Broek, who for the past year has feuded with Mr Ruud Lubbers, the Dutch prime minister, about who should reign supreme in foreign policy.

The foreign minister, who complained last year that Mr Lubbers was gradually straying into his field of competence, must be delighted that, so far at least, the external face of the Dutch presidency has been his own rather than that of the premier.

Mr van den Broek was born in Paris, where his father was a foreign correspondent for the Dutch daily newspaper De Telegraaf. Trained as a lawyer, he first practised law in Rotterdam and then spent seven years working for Akzo, the Arnhem-based chemicals group.

He entered parliament in 1976, serving briefly as state secretary for foreign affairs in the early 1980s before joining Mr Lubbers' first government in 1982 as foreign minister. Now in his third consecutive term at the Foreign Ministry, Mr van den Broek is the only cabinet minister to have served Mr Lubbers from the beginning.

Both the premier and his foreign minister are expected to make their current terms in office their last, with Mr Lubbers widely tipped as the next president of the EC Commission and Mr van den Broek rumoured to be interested in the top Nato job.

Ironically, the increasing rivalry between the two men at home may hinder them in finding new challenges beyond the Netherlands' borders: the likelihood of two Dutchmen being awarded top posts in Brussels is considered slim.

European Community workers along with hundreds of colleagues demonstrating outside EC headquarters yesterday. The workers, who jeered *finance and economics ministers from* the 12 member states who arrived for a meeting, are protesting in support of wage demands. Talks between unions and EC authorities *remain deadlocked, union officials* said.

# EC drive for closer economies

By David Buchan in Brussels

EC GOVERNMENTS will shortly submit economic strategy plans for discussion in Brussels, in a drive to bring economies closer together. This was the main result of yesterday's meeting of EC finance ministers, who pledged to provide their medium-term plans by October 31 for discussion in subsequent "multilateral surveillance" sessions.

All EC governments now seem to agree the time has come to turn some talk about greater economic convergence into action, although Italy, Greece and Portugal will have to make the greatest adjustment. The UK hopes its partners will attend more to economic performance criteria than political timetables in moving to a single currency.

Mr Norman Lamont, UK chancellor of the exchequer, forecast the UK economy would start to pick up in the second half of this year and inflation fall to 4 per cent, "not far off the best" in the EC. The UK fully supported the EC's new "multilateral surveillance" process, to which, British officials explained, the government would submit, with little amendment, its latest Medium-Term Financial Strategy paper.

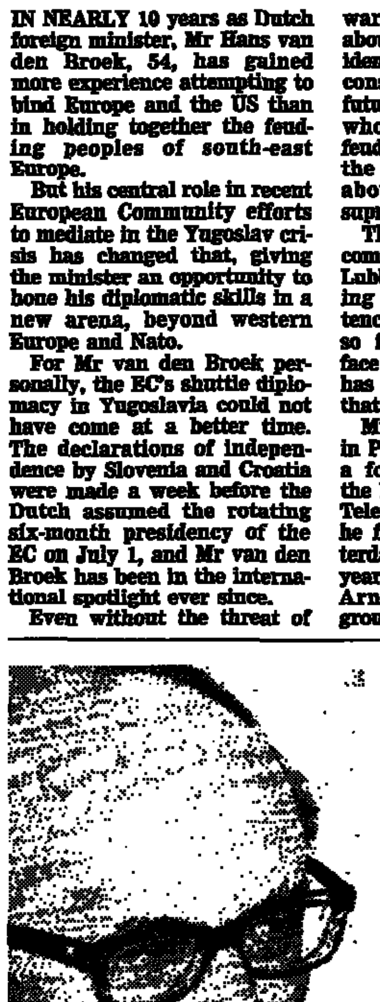
Some ministers saw the timing of multilateral surveillance as posing problems. Mr Philippe Maystadt, Belgian finance minister, warned a Belgian medium-term plan would be worth little this autumn, with elections due by January.Speaking before presenting the 1992 budget in cabinet tomorrow, Mr Horst Kohler, Bonn's state secretary, acknowledged the rise in Germany's budget deficit and wage inflation, but said the new budget would cut excess federal spending over revenue from DM66bn (£22.4bn) this year to DM50bn next.

● EC finance ministers yesterday narrowed differences on how far EC securities trading should operate on established exchanges, but failed to agree other aspects of the EC's proposed investment services directive.

Main problems remain "transparency", whether automatic and immediate disclosure of stock exchange trades might effect market-makers, and "access" – if and when banks should have direct or indirect access to exchanges.

# New east meets old west at central bankers' bank

## Discreet monthly meetings of the BIS in Basle offer one of their most regular points of contact, writes Peter Marsh



Lamfalussy: independent critic

IN a tall, anonymous-looking building near Basle railway station, central bankers from east and west Europe meet every month in one of the most regular points of contact between the two formerly divided halves of the continent.

The discreet two-day gatherings, the latest of which is ending today, take place at this, the headquarters of the Bank for International Settlements, the central bankers' bank.

They are orchestrated by Mr Alexandre Lamfalussy, the BIS's Hungarian-born general manager, who combines the roles of social organiser, custodian of a large chunk of the world's money and a trenchant critic of what he sees as negative trends in the global economy.

Although Mr Lamfalussy and many of his 400 or so staff are held in respect by the world's financial community, the role of the BIS is being increasingly questioned – and there is some doubt that it will hold together in its current form for much longer.

The BIS was set up in 1930, making it the oldest international monetary institution. It is owned not by governments directly, but by 29 central banks from around the world. These include six from east European nations – Czechoslovakia, Romania, Bulgaria, Yugoslavia, Hungary and Poland – with the others mainly from the west's leading industrial countries.

Representatives from the shareholders turn up at the monthly meetings, which feature discussions on topics such as international monetary policy and regulation of the banking industry.

Because the BIS is not controlled directly by individual nations, Mr Lamfalussy feels he can make independent judgments on economic trends in virtually any country, without upsetting political leaders. His views are expressed most pungently in the BIS's annual report, a repository of facts about the world economy.

As for the BIS's private operations, much of this is bound up with acting as an agent in the world's money markets. It is currently safeguarding about \$70bn, or some 9 per cent of world foreign exchange reserves, on behalf of roughly 80 central banks. The expertise of the BIS in this area has brought it close ties with a number of Third World nations.

As for the monthly meetings, the east European members have been attending these on a regular basis only since last summer, one result of better ties with the west since the demise of communism in the former Soviet bloc.

Mr Lamfalussy fled to Belgium from Hungary in 1949 to escape the communist takeover there and later took up Belgian citizenship. He was a commercial banker in Belgium for much of the 1960s and 1970s, joining the BIS in 1976.

A fit-looking 62-year-old who takes regular walking holidays in the mountains of north Africa, he sees as a crucial job attending to the mealtime seating arrangements at the gatherings. By arranging for the maximum amount of place swapping, Mr Lamfalussy believes he can help the flow of ideas and lead to greater knowledge among central bankers as a body.

"I don't know of any other professional body where people meet each other for so long, or so often," he says.

It is this emphasis on discussion – often accompanied by large amounts of food and alcohol – which has given the BIS a reputation of a cultured talking shop, with little to show in the way of policy initiatives. The high salaries paid to the BIS's employees, and their well-fitted offices, reinforce this impression.

*One view is that the BIS* has lagged behind other international bodies, such as the International Monetary Fund, in formulating a response to eastern Europe.

"I'm not sure what the east Europeans have achieved by turning up to the meetings," says one west European central banker. "The main reason they come is that Basle is a much nicer place to be than back at home, where they should be getting on with sorting out their own economies."

This view is supported by the fact that the east-west exchanges at the BIS have so far produced few concrete results, though the Netherlands, Britain and Austria have all set up training courses to help east Europe's bankers learn about western financial practice.

Whatever the merits of this criticism, few would dissent from the view that the BIS may well have to change over the next few years. One modification could be forced on it, if the discussions about a European central bank as part of a European economic and monetary union (Emu) reach fruition.

The regular meetings of the 12 European Community central bank governors – which take place under the auspices of the Basle monthly gatherings, with the non-EC BIS members absent from the room – would almost certainly be subsumed into the operations of the European bank, leaving the BIS schedule with a big hole in it.

For the moment, however, Mr Lamfalussy gives the impression that he sees quite enough problems with the world economy, and his little time *for worrying about the niceties* of the BIS's future.

One of Mr Lamfalussy's fears is that governments around the world are spending too much and saving too little, and that this will starve the world of investment capital during the 1990s.

On Emu, Mr Lamfalussy reserves some of his strongest remarks for those nations which believe that a union can take place only if all of Europe enters it together. The large differences between the economies in different parts of the continent make this option unrealistic, he believes. A two-speed process, in which some countries (perhaps based around Germany) set up their own version of Emu, leaving others on the outside, "is the only way" he says.

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert.Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

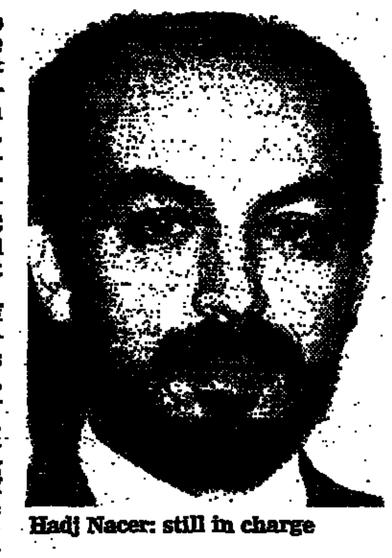
# EC loan proposal gives Algeria a vote of confidence

## Commission call for $560m could not have come at more critical time for reshuffled government, writes Francis Ghilès

A CRITICAL step in Algeria's complex reform programme was taken at the end of last week when the European Commission proposed a $560m (£350m) loan in support of the country's recovery.

What amounts to a vote of confidence in the recently reshuffled government of President Chadli Bendjedid, due to be endorsed by EC finance ministers yesterday, could hardly come at a more important time.

Street protests by the militants of the Islamic Salvation Front degenerated into riots last month and has resulted in thousands of arrests, including those of the most prominent members of the FIS leadership. The president moved quickly, imposing a state of siege and reshuffling the cabinet under the leadership of the new prime minister, Mr Sid Ahmed Ghozali.



Hadj Nacer: still in charge

But, in a signal that economic policy would remain unchanged, Mr Abderrahmane Roustoumi Hadj Nacer was left in charge as governor of the central bank, a post he has held since November 1989.

The key question is whether the recovery programme is now adequately funded or whether rescheduling of the country's $25.3bn debt may become necessary. Since the future of the new government is linked to the state of the economy, the answer may determine the future of both President Chadli and Mr Ghozali.

The return of many of the 70,000 nationalised farms to their former owners, the granting to the central bank of a greater measure of authority and the law opening Algeria to foreign investment were the central planks of reforms introduced by the former prime minister Mr Mouloud Hamrouche.

However, debt repayments are running at an annual level of $7bn. Last year Algeria repaid $6.5bn worth of medium- and long-term loans, $1.5bn more than in 1989. The latter figure is equal to the country's current account surplus.

The overall debt, two-thirds of which is labelled in currencies other than the dollar, would have declined had it not been for the weakness of the US currency. The debt service ratio was equivalent to 61 per cent of export earnings in 1990, a figure which is not expected to change much this year. Reserves, excluding gold, declined by the end of last year to below $500m. By last month they had climbed back to $520m.

As about a fifth of foreign exchange earnings is spent on importing food, the economy has been steadily starved of raw materials and semi-processed goods. Since 1985, imports have halved. Gross domestic product declined in 1987-88 by 4 per cent, then grew by 3.4 per cent in 1989 and a modest 1.1 per cent last year. Production is falling, with many factories at well below 50 per cent of capacity.

In the important private sector, a growing number of workers are on half pay, when they are not being laid off. Employers, suffering from the loss of about half of the dinar's value against its major trading partners in the past year and from confused rules on foreign trade, are finding it ever more difficult to buy raw materials and spare parts. The ranks of the unemployed – who already account for one fifth of the working population – are being swelled, generating prime recruits for the more radical Islamic movements.

Algeria, in many ways, could be likened to an oil company with a cash-flow problem. The debt is not large if related to export earnings – $12bn last year and an estimated $11.5bn in 1991. Rescheduling, which Algerian rulers have refused to consider to date, would entail a loss of good credit standing and is strongly opposed by Japanese banks which are owed two-thirds of Algerian commercial bank debt.

Japan is expected to extend a balance of payments loan to Algeria this year, the first time such a favour would be extended to a country outside Asia. Altogether Japanese institutions hold as much Algerian paper as France, the authorities in Tokyo have clearly signalled their unwillingness to extend further loans to countries which have rescheduled or whose debt has been pardoned, such as Poland and Egypt.

Until the Luxembourg summit of heads of state at the end of last month, France strongly opposed attempts led by Spain and Italy to arrange a large EC balance of payments loan to Algeria.

Unlike Italy which earlier this year extended loans to Algeria worth $7.2bn – $2.5bn of which are earmarked for the refinancing of Italian state-guaranteed credits due this year and next – the French Treasury balks at such a thought. Algeria, with commitments of FFr33bn (£3.3bn), is France's export guarantee agency Coface's third-largest risk after the Soviet Union and Iraq.

The EC decision will also help the Credit Lyonnais which is trying to arrange a $1bn loan the aim of which is to refinance an equivalent amount of Algerian commercial bank debt. It will also certainly comfort the Japanese banks.

US grain credits worth $900m, the International Monetary Fund SDR300m (£244m) credit announced last month and about $600m worth of World Bank loans should help Algeria to raise the $7bn it needs to meet its debt commitments this year. But the hump in repayments will be merely pushed back a year.

Two things could increase flows of capital to Algeria. The first is an increase in the price of oil, though that is unlikely. The second is a much more active and sophisticated approach to joint venture agreements. A number of projects could be backed by project finance arranged by the many international companies interested in Algeria.

If the new minister of energy, Mr Nordine Ait Laoussine, is true to his reputation, he could initiate a bold policy. He knows, as do other senior members of the cabinet, that getting Algeria back to work is predicated on a faster flow of imports, but also of capital.

# India sends 25 tonnes of gold to London

**By KK Sharma** in New Delhi and **RC Murthy** in Bombay

INDIA SENT 25 tonnes of gold to London at the weekend to be kept in the vaults of the Bank of England as security for borrowings, it emerged yesterday.

Mr S. Venkitaraman, governor of the Reserve Bank of India, the central bank, said the shipment was made to ensure that India did not default on repayment of its short-term foreign debt.

Unlike a previous first shipment of 20 tonnes towards the end of May, which was part of 70 tonnes of confiscated contraband gold held by the government, the weekend shipment was from the country's reserves retained by the Reserve Bank. It would enable India to borrow from the Bank of England.

The first shipment enabled India to pledge the metal to a Swiss bank and borrow $200m, with the right to repurchase the gold within six months. Dr Manmohan Singh, minister of finance, said last Friday the government had overcome the "disaster" of defaulting on its debt repayment by "firm action" last week. The shipment was thus designed to shore up the confidence of the international community in the country's foreign exchange position.

A team from the International Monetary Fund is currently in New Delhi holding talks with Finance Ministry officials on India's request for a substantial loan, but this cannot be disbursed until after the government's budget is adopted by parliament early in September.

Mr Michel Camdessus, IMF managing director, last week issued a statement supporting the actions taken so far by the new government, including a devaluation and interest rate rise, and its plans for economic reform.

# Iraq has admitted developing nuclear weapons, says US

**By Mark Nicholson**

IRAQ has admitted it is developing nuclear weapons, according to the US, which is demanding full access to all suspected atomic facilities after Baghdad yesterday surprised United Nations investigators by handing over a detailed list of its nuclear sites and equipment.

UN officials would say last night only that the list appeared to contain equipment not previously revealed to UN inspection teams which have visited Iraq, and previously unknown facilities.

One member of the UN commission in charge of scrapping Iraq's weapons of mass destruction said: "It's a very long list, and rather surprising." No other details of the list were available.

Mr Marlin Fitzwater, the White House spokesman, welcomed the disclosures, which were still being analysed last night. "We understand, however, that in this document, Iraq at last admits that it has engaged in a nuclear weapons programme," he said.

He added that the programme violated prior Iraqi commitments to the International Atomic Energy Agency and the UN.

Nevertheless, diplomats voiced some caution about the veracity of the list. "We have been given assurances in the past and there is no way of knowing whether this one is more reliable than the last one," said one western official.

Mr Fitzwater said the detailed revelations from Iraq would have to be followed up by UN inspections. "It appears that nothing in this document changes the need for comprehensive inspections."

A 37-member team, comprising largely experts from the IAEA, is in Iraq to continue checks on suspected nuclear facilities. The new disclosures follow repeated assurances from Baghdad that it would give every assistance to UN investigators, but some reluctance in practice to grant the teams full access.

In particular, a senior three-man team was last week prevented from examining equipment being driven away in a convoy from an army base.

None the less, even before Iraq's delivery of its new list, authorities in Baghdad had assured the present visiting team of UN nuclear experts that it would produce the controversial equipment.

Meanwhile, UN ballistic missiles inspectors said that on the evidence presented to them Iraq had destroyed all its remaining Scud missiles.

# De Klerk confident of talks soon

**By Philip Gawith** in Johannesburg

SOUTH AFRICAN President FW de Klerk said yesterday that following the African National Congress conference, which finished at the weekend, he was confident that the negotiating process in the country would go ahead sooner rather than later.

He was speaking after meeting Mr Douglas Hurd, the British foreign secretary, who is on a three-day visit to the country. Mr de Klerk said there was no doubt the ANC conference had been constructive, with the leadership obtaining a mandate for negotiations.

"This is in line with what we would like to see happen," said Mr de Klerk. "We are in a hurry to get the multi-party conference going."

Mr Hurd also met Mr Nelson Mandela, president of the ANC. Apparently the main issue at both discussions was the question of violence. Mr de Klerk said that "real negotiations will be the main and fundamental and final solution to the violent atmosphere and culture in South Africa".

Speaking after meeting Mr Hurd, Mr Mandela said obstacles to negotiations remained in the form of political prisoners still in prison, current political trials, exiles who remained abroad and the question of violence.

Mr Hurd said his discussions with Mr Mandela had been "long" and "good". He said there had been considerable areas of agreement, notably on returning fully integrated South African sport to the international arena. There was disagreement on other sanctions and new investment from abroad. On the latter point, Mr Hurd said disagreement concerned "the pace and the timing at which that investment from abroad should be encouraged".

Mr Hurd said on his arrival that the country had undergone an "amazing transformation" in the 15 months since his previous visit. He said he was there to listen and to learn.

Mr Hurd also held meetings with Mr Clarence Makwhetu, president of the radical Pan-Africanist Congress, and Mr Pik Botha, foreign minister. Today he will hold talks with Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party.

President FW de Klerk of South Africa with Mr Douglas Hurd, the UK foreign secretary, at a press conference yesterday in Pretoria

# Kuwait interim council meets

**By Mark Nicholson**

KUWAIT's interim National Council meets today, for the first time since allied forces liberated the emirate, with a proposal at the top of its agenda to pay all Kuwaiti families KD10,000 ($20,000) compensation for damage during the occupation

However, opposition groups claim that the council is divisive, unconstitutional and a cynical exercise in political propaganda by the ruling al-Sabah family.

Mr Abdulla Nibari, leader of the opposition Democratic Forum, last night led a protest meeting at which he repeated opposition demands for early elections to the full National Assembly, which the emir suspended in 1986.

"This council is divisive", he said in a telephone interview. "Not everyone backs the council, whereas everyone is agreed that the constitution and the full parliament should be restored immediately."

The 75-seat council, a third of which is hand-picked by the emir, is a purely advisory body which emerged in April 1990 as a government compromise with opposition groups to assuage rising popular calls for full elections.

The poll for elected members of the council was widely boycotted.

Sheikh Jaber al-Sabah, the emir, has promised full elections and the restoration of the 1961 constitution in October next year. But Mr Nibari said elections should be called by January or February at the latest.

He said Kuwait could not afford to proceed over the intervening months without a proper constitutional body. "Many important decisions will be made, including huge financial commitments," he said. "This is exactly what a parliament is for."

The council is expected to review Kuwait's forthcoming budget and consider ways of extending the emirate's limited franchise.

# Labour lifts membership curb in Israel

**By Hugh Carnegy** in Jerusalem

ISRAEL'S opposition Labour party, struggling to regain the support that made it the country's leading political force for three decades, has decided to admit members who do not belong to the Histadrut trade union federation.

The change in the party's constitution was accepted on Sunday at a stormy meeting of its central committee. MPs campaigning to reform Labour's socialist structures argued that the change was needed to attract more members and voter support.

Labour, with 38 seats, is the second-biggest party in the 120-seat Knesset (parliament). But for most of the last 14 years it has lagged behind the right-wing Likud party of Mr Yitzhak Shamir, the prime minister. A recent opinion poll suggested it would win only 28 seats at an immediate election.

Party reformers say the link with the Histadrut repels support from the large number of Soviet Jewish immigrants anxious to escape socialism.

But they face a fierce rear-guard action led by Mr Israel Kessar, secretary-general of the Histadrut and a likely future Labour leadership candidate. His opposition forced an ambiguous compromise in Sunday's resolution, limiting the option of party membership to those "unable" to join the Histadrut for reasons the resolution did not spell out.

# Cambodia sets out on road to peace

## **Stephanie Gray** assesses the agreement thrashed out between the main protagonists

KHMER ROUGE leader Khieu Samphan shook hands with his bitter enemy, Hun Sen, the Cambodian prime minister, late last month while Mickey, Prince Norodom Sihanouk's poodle, pranced around the three men's feet. Hun Sen is said to have addressed Khieu Samphan as my beloved excellency.

There can be few less likely friends than these, the main protagonists in the Cambodian conflict that has spanned 20 years and cost more than 2m lives. There is long-standing enmity between the three, if not outright personal hatred.

> There can be few less likely friends than the main contenders in the Cambodian conflict that has spanned 20 years and cost more than 2m lives. There is long-standing enmity between the three, if not outright personal hatred

They appear, nevertheless, to have reached remarkable accommodations in their June talks in Pattaya, Thailand, as members of the Supreme National Council (SNC), a national reconciliation body set up by the United Nations.

They agreed to a ceasefire and a moratorium on arms imports, the return of the Khmer Rouge to Phnom Penh with the establishment of a SNC headquarters in the capital, and resolved a dispute over chairmanship that has dogged previous meetings.

Many saw the meeting as the fragile beginning of the end to more than 12 years of civil war that began when Vietnam invaded to drive the murderous Khmer Rouge from power. The peace process may gain further momentum from a meeting of the SNC in Beijing, expected later this month. China's hand is seen to have been behind compromises made by two of the main players.

Resolution of the war in Cambodia is the key to the establishment of relations between Vietnam and the US and the lifting of a US-led political and economic boycott of Vietnam.

It hinges on the UN's ambitious plan, agreed by the five permanent members of the UN Security Council last September and sanctioned in principle by all four factions. This called for UN administrators virtually to take over Cambodia during a period of disarmament ahead of elections.

Cambodia would cede control of five of its main ministries. Troops belonging to the government, the Khmer Rouge, Prince Sihanouk's group and the Khmer People's National Liberation Front would withdraw to designated areas and be disarmed by a large UN force, mostly funded by Japan.

The Khmer Rouge says the plan may not be changed. The Phnom Penh government, installed by Vietnam, is reluctant to surrender hard-won sovereignty and fearful that a disarmament period might simply allow the Khmer Rouge to regroup in order to seize power in Phnom Penh should it fail at the ballot box.

The Khmer Rouge has considerable influence in the countryside where handouts of Chinese-supplied rice mean more than economic reforms introduced by Phnom Penh in 1989. The reforms include granting autonomy to state-owned industries that dominate 30-40 per cent of the economy. Private land ownership is no longer illegal.

The legislation has had an impact on life in the capital but the vast majority of the 8m population - the farmers on whom the economy predominantly depends - continues to suffer abject poverty amid a civil war whose cost is unofficially put at 60 per cent of the government budget.

The four factions' partnership in the SNC may be driven less by altruism than by their desire to take power alone rather than joining in a coalition.

Prince Sihanouk, the former god-king installed by the French in 1953, wants to rule again from the palace. "He sees the establishment of the SNC in Phnom Penh as resurrecting his royalty. Everyone will come to pay homage to him in the palace again," says Mr Michael Leifer, professor of international relations at the London School of Economics.

He has no reason to trust the Khmer Rouge, which is said to have murdered 19 of his family and kept him prisoner for a time. He has often accommodated it but is nevertheless still seen by the west as the only player with legitimacy, despite his sometimes infuriating behaviour.

Hun Sen, the 40-year-old prime minister who defected to the Vietnamese in 1977 from the Khmer Rouge and was installed by the Vietnamese after their 1979 invasion, has a reputation among western aid officials as one who gets things done in a government rife with inefficiency and corruption. He maintains a clean image and appears to live modestly.

Khieu Samphan may be the most likely leader should the UN plan succeed in throwing up free and fair elections. The Khmer Rouge's 35,000-40,000 troops have a reputation for spartan lifestyles and mostly refrain from black market activities and other excesses.

The KPNLF and Prince Sihanouk's troops are the weakest of the factions but the west has insisted on their representation because it is not prepared to countenance a contest between two communist groups.

Beijing appears to have sanctioned progress at the Pattaya talks perhaps because it sees the UN plan as the most likely to return the Khmer Rouge to power. More optimistically, it sees the plan as the best face-saving formula for disengaging itself from its most embarrassing international ally.

Little love is lost between Hun Sen (left, standing) and Khieu Samphan (sitting), or Prince Sihanouk (right), but all three appear to have agreed a remarkable pact

# Falling stock market casts shadow over Japanese institutions

**By Emiko Terazono** in Tokyo

THE current weakness in Japanese stock prices is raising the spectre of serious problems for some financial institutions and for industrial companies that have relied heavily on stock trading in recent years.

The country's banks in particular are seeing their assets eroded. According to the Tokyo branch of Salomon Brothers, the US investment bank, if the Nikkei average reaches the 20,500 level, capital-asset ratios of most big commercial banks would slip below the 8 per cent requirement level of the Bank for International Settlements.

The Nikkei, which fell 3.1 per cent yesterday, would have to decline only a further 7.6 per cent to reach that threshold.

At times of weakness in the past, the Big Four securities houses have launched co-ordinated buying operations to support the market. They did so in the wake of last year's stock market plunge, when the Ministry of Finance also unveiled measures such as easing credit limits to sustain share prices.

However, with the ministry penalising brokerage houses yesterday, their will to engage in large-scale buying was being questioned. Moreover, the punishment means that for the next four days, Nomura, Nikko, Daiwa and Yamaichi cannot deal on behalf of corporate clients.

"The ministry calling in the Big Four to punish them instead of asking for their support was a sharp contrast from last year and it added to the disturbance," said Mr Peter Johnson, general manager of Baring Securities.

Life assurance companies, corporate Japan's main shareholders, have also expressed concern over the effects of heavy equity-linked financing. The Life Insurance Association yesterday called for restraints by corporations and financial institutions from flooding the market with equity-linked debt.

Volatile stock prices could lead to a drying up of the new-issue market, forcing companies to look for an alternative source of funds. Many Japanese companies, which have relied heavily on profits from selling their undervalued shareholdings, will also face serious funding problems.

Mr Kermit Schoenholtz, director of economic research at Salomon Brothers, said that the weak stock market could force companies to scale down previous investment plans, thus curtailing growth.

Expectations of a weaker economy filtered into money markets yesterday, as short-term interest rates eased, giving room for hopes of a relaxation of credit policy.

Many individuals have been forced to sell their holdings by the decline in collateral value for margin trading.

Some individual investors, disillusioned by the stock scandals and the fall in share prices, have been expressing their anger at the brokerages. Extreme right-wing agitators drove their highly amplified trucks around offices of the leading securities companies calling for the brokerages to take responsibility for the decline in share prices.

# General strike closes businesses in Madagascar

PUBLIC TRANSPORT stopped and banks and other businesses closed in Madagascar yesterday at the start of a general strike called in an attempt to force President Didier Ratsiraka to step down, Agencies report from Antananarivo.

Demonstrations in the capital, Antananarivo, drew a crowd of 200,000 to 400,000. They were the latest in a series of protests which began a month ago.

There were no aircraft, trains or buses running and opposition groups said the strike would be indefinite.

Security forces did not intervene and there were no immediate reports of disturbances.

Mr Ratsiraka, a former radical navy officer who took power in a 1975 coup, has introduced democratic reforms after years of socialism. But critics say he must go further and allege that he rigged elections in 1989 which gained him a third seven-year term.

The Opposition Platform, a coalition of government critics, is calling for a new constitution and electoral reforms.

AMERICAN NEWS

# Argentine governor in 'embezzlement' row

By John Barham in Buenos Aires

THE deepening financial crisis afflicting Argentina's provincial governments has taken a bizarre turn after the governor *of a Patagonian province* supervised the transfer of 160.6bn australs ($16.6m) from a regional central bank stockpile to his government.

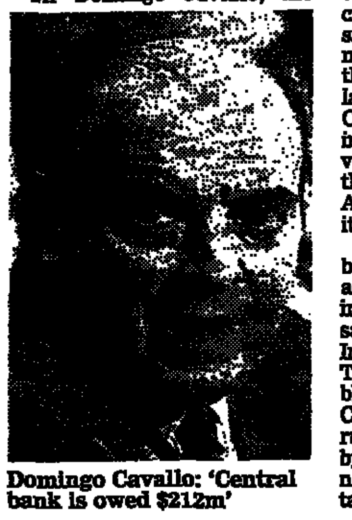
Mr Horacio Massaccesi, governor of Río Negro, said he used all the money to pay public sector wages.

The government is bringing charges of embezzlement and abuse of authority against Mr Massaccesi, who belongs to the opposition Radical party, and threatened to charge with high treason officials who continue abetting him

Río Negro is one of an increasing number of provinces to face severe financial difficulties as the central government cracks down on overspending and forces them to implement stringent World Bank-financed reforms.

Provincial officials say the central government owes Río Negro $600m and accuse federal officials of reneging on a refinancing agreement signed *in May*.

Mr Domingo Cavallo, the Argentine economy minister, retorted that the provincial government's bank owes the central bank $212m.



Domingo Cavallo: 'Central bank is owed $212m'

Reform, difficult at the best of times, is complicated by crucial gubernatorial and congressional elections due over the next three months. Last week, the government defused a similar crisis in La Rioja, President Carlos Menem's home province, after he ordered the provincial bank closed and told the federal Banco de la Nación Argentina to find a solution for its $300m in debts.

The Radical party has backed Mr Massaccesi and accuses Mr Cavallo of sacrificing provincial governments to satisfy the demands of the International Monetary Fund. The Radical party, which can block government business in Congress by denying a quorum, may retaliate tomorrow by preventing passage of badly needed legislation raising taxes.

# Mexico in $1bn deals with Italy

MEXICAN President Carlos Salinas de Gortari yesterday signed trade and oil accords with Italy worth up to $1bn, Reuter reports from Rome.

The ceremony was held at a meeting with Italian Prime Minister Giulio Andreotti on the penultimate day of an 11-day European trip by the Mexican leader. Mr Salinas winds up his tour with an audience with Pope John-Paul today.

Among accords announced with Italy were a $200m-$300m outline agreement between the Mexican state oil company Pemex and its Italian counterpart ENI to collaborate on a range of refining projects, officials said.

These included joint production of MBTE, a petrol additive designed to reduce contaminating pollutants, and the refining of more heavy Mexican crude in Italy.

Officials said Italy's export guarantee agency SACE had agreed to remove Mexico from its high-risk list and had abolished its ceiling on investments there.

They expected the credit upgrading, along with a general accord on economic co-operation, to result in Italian investments of at least $500m *in Mexico. In addition, an agreement on tourism* would bolster already substantial Italian investment in the south-eastern resort of Cancun.

Mr Salinas' trip has taken him to Czechoslovakia, the Soviet Union and Germany, where German companies have pledged about $3bn in investments, mostly in the petrochemical and tourism industries.

# Win in state poll boosts Salinas

By Damian Fraser and Rebecca Doulton

MEXICO'S ruling Institutional Revolutionary Party (PRI) appears to have won an easy victory in *last Sunday's gubernatorial election* in the *state* of Nuevo Leon. The poll was seen as a crucial test of President Carlos Salinas's popularity in the run-up to the August congressional elections.

With more than half the votes counted, Mr Socrates Rizzo Garcia, the PRI candidate and mayor of Monterrey, the capital of Nuevo Leon, has won 61.8 per cent of the vote; Mr Rogelio Sada Zambrano, of the PAN, has 30.4 per cent and Mr Locas de la Taraza, of the left-wing Revolutionary Democratic Party (PRD), 2.5 per cent. Official results are expected tomorrow but will not be significantly different.

The victory appears to have been achieved without widespread fraud.

On August 18 the party faces elections for a further six governors, 500 seats of the lower house of Congress, and 32 of 64 seats in the Senate.

These elections are widely perceived seen as a referendum on the first three years of the *leader's presidency; the first test of national* popularity of the newly formed PRD, led by Mr Cuauhtémoc Cárdenas, a presidential candidate in 1988; and above all a test of the PRI's commitment to free and fair elections.

According to the PRI internal polls, the ruling party will win a comfortable majority in August's elections.

# Peru stares over edge of financial abyss

## Trying to get back into the IMF's good books is taxing Lima, writes Sally Bowen

THE inability of Congress to agree with the minister of the economy on an acceptable way of quickly raising income from taxes has brought the precariously balanced Peruvian economy to the edge of an abyss. Education and health workers continue their months-long strikes against a background of increasing violence from labour organisations, terrorists and the security forces.

Despite confirmation that the US and Japan will provide $750m towards the $1.3bn Peru needs in balance of payments' support over the next two years, the long-awaited "support group" has still not materialised.

Yet Peru continues to set aside $60m a month to get back into the good books of the International Monetary Fund, World Bank and Inter-American Development Bank – more each month than has gone into the entire social emergency programme since *President Alberto Fujimori* took office.

Mr Carlos Bolona, the economy minister, recently restated his commitment to continuing debt payments "because we don't want to be *international* pariahs again".

Fujimori: 'little ups and downs'

At the end of last month the government's cash position forced President Fujimori to announce the freezing, until further notice, of wages in state companies (in effect, they have been frozen since January); *and Mr Bolona told* regional government representatives they would get less than 20 per cent of their budget demands.

"There's no money, no funds, our pockets are empty," Mr Bolona told them. "Forget about asking for more money, at least until August."

Last month the government had to resort to a brutal 18 per cent across-the-board fuel price rise. It was the third increase since early April, and contradicted Mr Bolona's announcement a couple of weeks earlier that future fuel price rises would be gradual and in line with inflation.

*The increase dismayed* economists and the general public alike. On the streets, bus drivers, already looking for an increase, *took* advantage to raise prices by as much as a 100 per cent overnight. But, unlike their counterparts in Caracas, where much smaller fare rises in 1989 provoked deadly rioting, Lima's inhabitants accepted them with weary resignation.

Treasury dependence on fuel price rises, certain to take June – and probably July – inflation back into double figures, highlights the plight of Peru's tax collection system. The dilapidated and decapital-*ised Peruvian state is esti*mated to be collecting under 5 per cent of its gross domestic product to support the crisis-ridden health and education sectors, repair run-down infrastructure and finance its costly anti-terrorist war.

Mr Bolona has spent much of the past month in Congress with the two-chamber Economy Commission debating alternative methods of raising revenue. One proposal, a "solidarity tax" to collect between 5 and 20 per cent extra from *top-level civil servants to* subsidise poorer colleagues met stiff resistance in and outside Congress. His proposal to eliminate special tax exemptions for the jungle and frontier zones was thrown out.

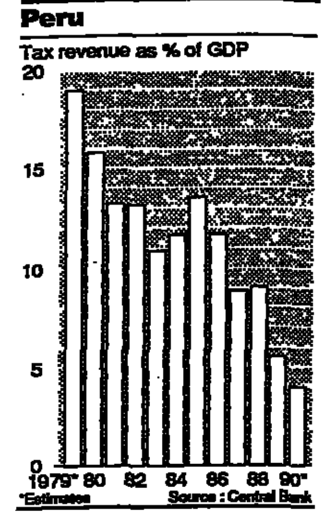
Approved by the commission are two new taxes: a 1.5 per cent levy on personal wealth (which might produce $13m by December, a drop in the fiscal ocean), and a 1 per cent tax on shares. No one knows how much this would raise (perhaps *$60m by year's end.*

Tax evasion is so generalised in Peru's informal economy that the principal general sales tax (14% on all invoices) yields only 2 per cent of GDP against the seven or so it should. Annually, 450,000 Peruvians present tax declarations to the tax administration authority Sunat, but only 750 of these are checked. Sunat, though currently undergoing drastic reorganisation, has a reputation for having grown bloated, *inefficient and corrupt.*

Tax revenue has fallen steadily since democracy returned to Peru in 1980. It dropped from 20 per cent of *gross domestic* product at the start of President Fernando Belaunde's administration to an all-time low of an estimated 4 per cent by the time President Alan Garcia left power in July 1990.

Manuel Estela, national tax superintendent, has embarked on an ambitious restructuring programme. *Sunat personnel* are being cut from 2,400 to 1,700. Those who remain will, unprecedently in the history of Peruvian public administration, be required to take a proficiency examination. The announcement provoked immediate protest demonstrations and a rocket attack against the Sunat building.

Mr Estela has also been negotiating with representatives of Peru's vast "informal" commercial sector (mainly unregistered, illegal street vendors) in an attempt to win them over to legality.




The government goal is to raise income from tax collections to the equivalent of 12% of GDP by the end of the year and 15% by 1992. Improved collection of the general sales tax is generally agreed to be the medium-term solution.

*Meanwhile* stop-gap revenue-raising measures are being adopted wherever possible. The state mining bank has just sold its head office for $5.2m to help meet severance payments to staff accepting voluntary retirement. The 35-year-old, 21-floor education ministry will soon follow, now numbers of workers have been halved.

Privatisation is increasingly being touted as an easy solution to the cash crisis, but attractive, easily-saleable state holdings are few.

President Fujimori may serenely dismiss the "little ups and downs that a stabilisation program involves", but the electorate takes them more seriously. A weekend opinion poll showed his approval rating at an all-time 32 per cent low.

# Disputes over deficits hold up deals on state budgets

HALF a dozen US states, including California, Illinois and Pennsylvania, *remain without* agreed *budgets* a week after the fiscal year began through disputes about tackling record deficits, writes Peter Riddell in Washington.

The only breakthrough has occurred in Maine where 10,000 state employees (out of a total of 13,000) laid off last week returned to work yesterday after a provisional budget was agreed which raises income, sales and petrol taxes. *But this is dependent on* the *legislature* approving by tomorrow a measure to curb business insurance costs by cutting workers' compensation.

In Connecticut, 20,000 state workers have been recalled following the passage of emergency legislation keeping the government going. The dispute there is over independent Governor Lowell Weicker's call for a state income *tax, for the first time in state history.* Connecticut is one of 10 states without its own income tax.

Other states have managed without large lay-offs because they have drawn on their reserves, though 10,000 state employees (out of a total of 117,000) in Pennsylvania were not paid last week.

The seriousness of the fiscal crisis is leading to tax increases, cuts in services *and lay-offs. It is the result of* continued rapid growth in demand for welfare programmes and in spending on prisons at a time when revenue is hit by the recession. Governors of both parties have been forced to recommend higher taxes which has led to wrangles with state legislatures.

WORLD TRADE NEWS

# Pakistan puts curb on local Toyota importer

By Farhan Bokhari in Islamabad

PAKISTAN'S government has cancelled the import registration permission of the country's single Toyota-affiliated distribution company, because of alleged unfair business practices.

This puts an end to the company's import of vehicles and other machinery. The action came after investigations apparently disclosed that the Toyota-affiliated Indus Motor Company was selling vehicles on the open market and making large profits while refusing orders from other dealers and individuals.

Under government regulations, most cars can only be imported under a personal baggage scheme by Pakistanis returning from abroad.

Indus Motor Company's business *consists of importing light* commercial vehicles such as pick-ups and vans. During the last fiscal year (1990-91), about 7,000 Toyota vehicles were imported by Pakistan under the baggage scheme and through the Indus company. The company is jointly owned by Toyota of Japan and the Habib group of Karachi.

Mr Malik Mohammad Naeem, Pakistan's commerce minister, while confirming the action yesterday, said: "They (the company) were not following normal procedures. The prices were being inflated." Mr Naeem said that while Pakistan was trying to open up its markets to new investors, his government stands committed to fairness and healthy competition.

An Indus Motor spokesman in Karachi denied the allegations. Company executives *arrive in Islamabad today to* meet officials to urge the government to withdraw its order.

# Lilley to stress UK stand on Japanese cars in EC

By John Griffiths

THE UK government's determination not to accept any curbs on the free distribution of British-built Japanese cars in the EC will be stressed in Brussels today by Mr Peter Lilley, UK trade secretary.

Mr Lilley is due to discuss the issue with Mr Martin Bangemann, EC Commission vice-president, against a background of mounting pressure from some member states, especially France and Italy. They argue such cars should be included in an overall limit on Japanese car sales for several years after 1992, when the single market is due to come *into force.*

The Commission is negotiating with Japan about the precise rules to govern EC trade in Japanese cars after 1992. It has already agreed no direct curbs should be put on the distribution within the EC of Japanese cars built in Community countries, mainly the UK and Spain. But concern is growing about pressure for a regime putting a limit on the combined total of Japanese imports and EC-built Japanese cars.

If this were to happen, "Japanese manufacturers, who have invested heavily in the EC, would be faced with a trade-off between making cars in Europe and exporting them from Japan. Any such trade-off would threaten output and jobs in our industry," Mr Lilley said last night.

In the past few days, he has also had talks on the issue with Sir Leon Brittan, EC competition commissioner, who has made clear his opposition to calls from EC car makers for special protection and financial help in the face of Japanese *competition.*

ACEA, the new industry lobby group of 15 European vehicle makers, claims tens of thousands of redundancies will be needed to make the industry competitive. It is expected the EC and Japan will hold a summit in The Hague immediately after the G7 summit in London on July 15-17, at which Japanese penetration of the EC market is expected to be an important topic.

# Changing world gives Caricom goal new urgency

## Caribbean leaders see ever greater need for achieving aim of a common market, writes Canute James

MR ERSKINE Sandi*ford, the prime minis*ter of Barbados, has volunteered for a task for which his colleagues will not envy him. At the annual summit last week of the Caribbean Economic Community (Caricom), Mr Sandiford agreed to take charge of efforts to create a single market.

He is setting out to achieve in the next two and a half years what has eluded his colleagues for almost two decades.

When it was *established* 18 years ago, the community's primary aim was to create a single market. The fact that it is still searching for a way to do so – 1994 is the latest date – is to do with a tendency towards parochialism, a lack of political will on the part of the community's leaders, and the implementation of policies to protect national economies at the expense of economic integration.

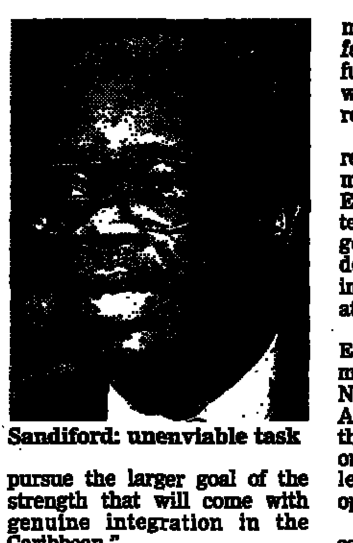
None of the community's *leaders denies that economic* integration and the creation of a single market is necessary if Caricom countries hope to be anything but a straw in the wind of current global economic changes.

Caricom's 13 members, including Belize in central America and Guyana in South *America, have a combined pop*ulation of 5.5m. Their economies are fragile; based mainly on commodity exports and tourism. Heavily indebted, the region is seeing a decline in official and private financial flows. There is an uncertain future for preferential markets in Europe and North America, and structural adjustment programmes agreed with international financial institutions have not brought the hoped-for benefits.

"The need for concerted and decisive action in consolidating and strengthening the regional movement is not in doubt, and is made even more urgent by the very rapid pace at which changes are taking place in today's world," said Mr Kennedy Simmonds, prime minister of St Kitts, and the chairman of Caricom.

Mr Michael Manley, prime minister of Jamaica, pleaded for a more earnest approach to economic integration, before it *was too late.*

"The world is not waiting for us. The world does not believe that it owes us a living. We must have the will to act and sometimes must take chances while we act. All of us have to be prepared to make some compromise somewhere ... to pursue the larger goal of the strength that will come with genuine integration in the Caribbean."



Sandiford: unenviable task

Yet Mr Simmonds and Mr Manley, and their colleagues, are unlikely to be surprised at the deep-rooted cynicism which has overtaken their constituents when regional *economic integration* is debated.

A commission, established under the chairmanship of Sir Shridath Ramphal, the former Commonwealth secretary general, to determine the priorities for the community found that repeated statements of commitment to economic integration, *followed by inaction*, had fuelled a popular image which was not flattering to the region's leaders.

The embarrassment is reflected in a somewhat dramatic conclusion by Miss Eugenia Charles, prime minister of Dominica: "Rather than go to conferences and take decisions which we do not implement, we should all stay at home."

The creation of a single European market in 18 *months*, the expansion *of the* North American Free Trade Area to include Mexico, and the emergence of market economies in eastern Europe have left the region with few options.

In the attempt to prepare the community to deal with these changes, Mr Sandiford will have to convince his colleagues that they should remove all qualitative and quantitative restrictions to intra-community trade, while getting them *to create a customs unions* with the implementation of a common tariff on imports from third countries.

The proposed tariff structure promises low rates of duty on imports which do not compete with goods produced within the community, but sets high rates on imports considered likely to injure domestic industry.

Charles: 'Stay at home'

The common tariff should have been implemented in January, but only seven community members have done so. A new target date of October was agreed.

At the same time as it is *building a tariff wall* around itself to protect fledgling industries, the community has agreed that it should make the most of a US proposal (part of President George Bush's Enterprise for the Americas Initiative) for the creation of a free trade area stretching from Alaska to Tierra del Fuego.

*Some leaders, such as* Mr Sandiford, deny that there is an inconsistency in this approach. "There is nothing wrong in a group of developing economies pursuing a free trade area while implementing a common tariff. This is what the European Community has done."

Mr Manley said: "The common tariff is important to efforts to strengthen the economies of the region, although we must note that the hemisphere is moving towards a free trade area. There is no long-term contradiction."

But conventional wisdom in the community holds that the common tariff structure must be in place, if only to be reduced or *dismantled* by way of concessions in negotiating the free trade benefits with the US.

That the community has lasted almost two decades is, *for Mr Roderick Rainford,* secretary general, an achievement of some substance. "Everyone will agree that the achievements of the community have fallen far short of what was expected. But Caricom has succeeded in surviving while similar attempts at regional economic *co-operation in the* developing world have not."

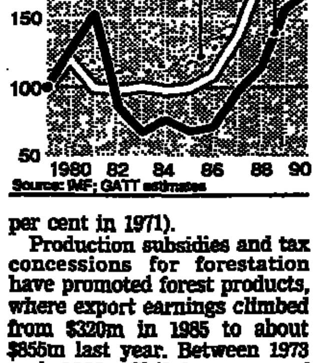
# Gatt sees Chile as Third World superstar

CHILE emerges as a Third World superstar from Gatt's review of its trade policy, William Dullforce reports from Geneva. Chile shows that rapid trade reform, along with domestic stabilisation, is a sound recipe for improving a country's *economic performance*, Gatt's secretariat says.

Vulnerability to fluctuations in the world market for copper, still by far the biggest export, remains a concern, but Gatt finds the trade-opening measures taken since the 1970s *have added to the economy's* resilience by promoting structural adjustment, diversifying exports and bringing the foreign debt to manageable proportions. Gatt finds few faults in current Chilean policy. But further import tariff cuts would enhance the gains in efficiency already achieved. By binding its tariffs at a relatively high 35 per cent, Chile leaves an area of uncertainty for foreign exporters, since tariff rates could suddenly be more than doubled.

The secretariat also queries the priority Chile has given to bilateral trading arrangements, especially with the US. Chile says its aim is to strengthen links with its main trading *partners, not* exclude others; it sees its bilateral deals as compatible with the multilateral trading system.

As in its earlier review of Thailand's trade policy, Gatt stresses the importance of better access to the markets of the *big economic powers for developing* countries committed to economic reforms. Farm subsidies applied by the main trading blocs are a big concern for Chile, it says. Agricultural products, particularly fruit, made up 10 per cent of total Chilean exports in 1989, against 3 per cent in 1970. Exports of manufactures have almost tripled since 1970 and made up a third of merchandise export earnings in 1989 (12 per cent in 1971).




Production subsidies and tax concessions for forestation have promoted forest products, where export earnings climbed from $320m in 1985 to about $855m last year. Between 1973 and 1989, Chile's range of exports widened from some 140 to nearly 1,500. Copper now accounts for roughly half of exports, down from 70 per cent in the mid-1970s.

With this broader export base, Chile's economy had become more steady and robust. Gatt approves the depth and speed with which in the 1970s the Pinochet regime used trade liberalisation to expose the economy to competition. Unlike most other developing countries, Chile has scrapped import licences and prohibits import quota imposition. One remaining curb con*cerns used-car imports; local* content requirements are applied only to car production. A uniform tariff of 15 per cent was the main way of controlling imports when Gatt wrote its report, since cut to 11 per cent. Chile puts no curbs on textile imports; it is now exporting over $100m worth of textiles and clothing a year and thinks it could deliver more if other countries removed their barriers.

# Oil-block awards pave way for BP's return to Nigeria

NIGERIA has awarded British Petroleum two oil exploration blocks in the deep water of the Niger delta, paving the way for the company's return after a 12-year ban, Deborah Hargreaves *reports. Nigeria lifted* the ban two months ago, and last week announced the results of its latest licensing round, awarding the acreage to a BP-Statoil consortium.

BP's stake in the Nigerian oil industry was nationalised *in 1979 because of allegations* that BP oil was being indirectly shipped to South Africa, and as a form of pressure on Britain to end the unilateral declaration of independence by Rhodesia – now Zimbabwe. Other companies to receive deep water blocks were Shell, Conoco, Mobil and France's Elf Aquitaine, which is building a new oil terminal at a cost of $138m (£86m).

Nigeria expects to finalise a new Memorandum of Understanding with the oil companies in the next month which will run for five years. Lagos has long been in dispute with its oil company operators over a move to replace the existing agreement, which ran out this year. The oil majors have resisted clauses for the Nigerian National Petroleum Corporation eventually to take over operating the country's oilfields, which they see as "creeping nationalisation".

But officials are thought near resolving this problem as well as agreeing guaranteed profit margins, recognition of western companies' rights, and training programmes. Nigeria plans to raise its oil output to 2.5m barrels a day by 1995 from a current 1.95m b/d. Officials say the target will be reached a year earlier. Development plans include a pipeline to take gas to the north of Nigeria.

# CORPORATE LOYALTY AND HOW TO GET IT.

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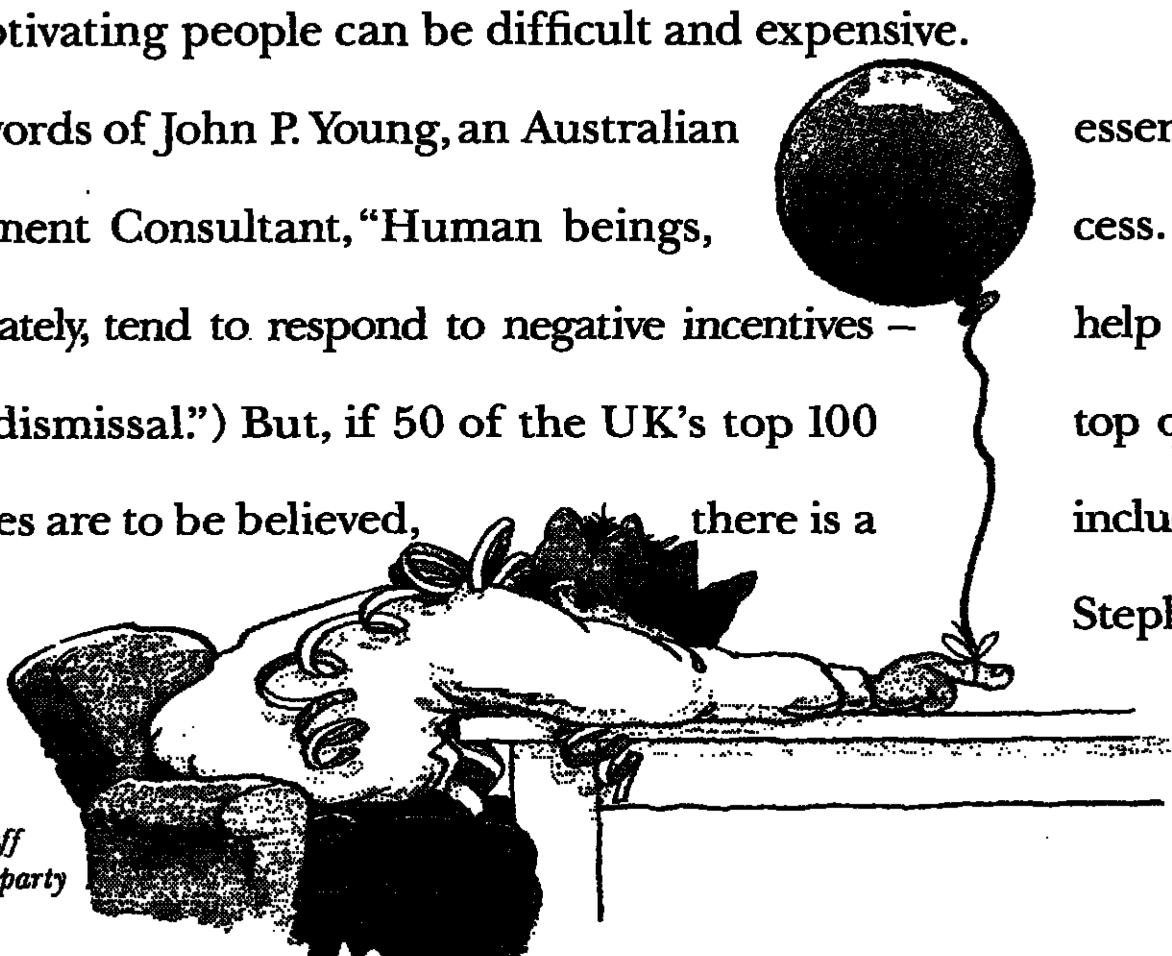

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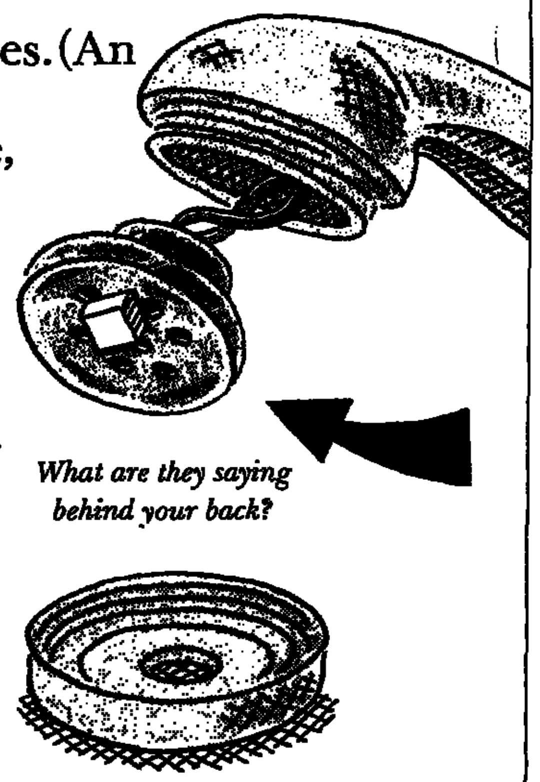

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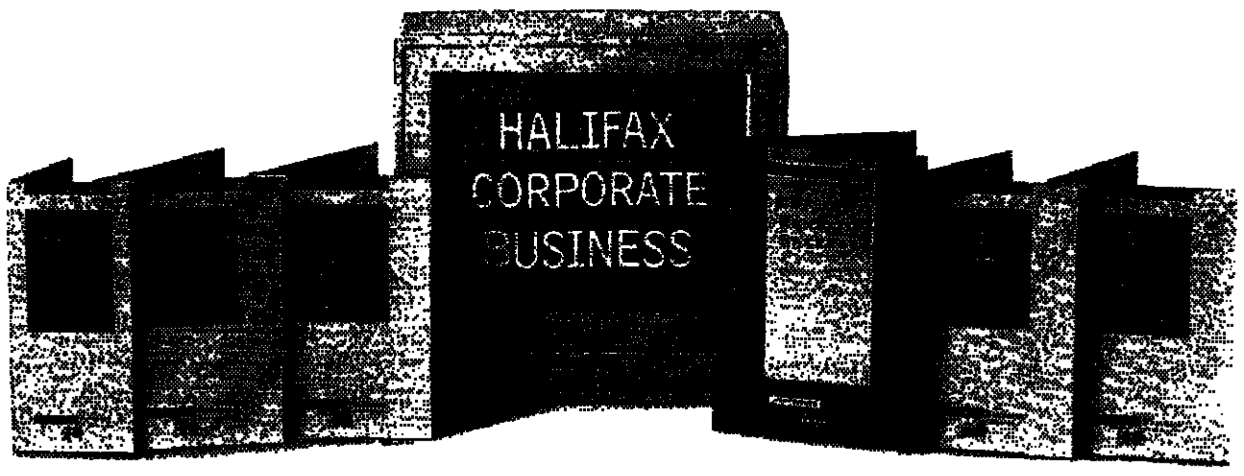


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## THE BCCI COLLAPSE

LUXEMBOURG

# Court acts against parent bank

By Andrew Hill in Luxembourg

A LUXEMBOURG court yesterday put Bank of Credit and Commerce International SA, parent of the collapsed group's operations across Europe, into formal controlled administration.

The "gestion controlée" regime – likened by Luxembourg authorities to Chapter 11 protection in the US – aims to shelter creditors, depositors and shareholders, while a court-appointed commissioner examines the collapsed group's affairs. BCCI SA was already in informal administration following Friday's swoop by banking regulators in Luxembourg and worldwide to freeze the group's assets.

The Luxembourg court has appointed Mr Brian Smouha of UK accountant Touche Ross, as commissioner. Mr Smouha, who also worked on the Banco Ambrosiano insolvency case, will fly to Luxembourg today to assess whether there is any chance of restructuring BCCI or whether it should be put into liquidation.

Mr Pierre Jaans, director-general of the Institut Monetaire Luxembourgeois, which supervises the banking sector, hinted yesterday that liquidation was the most likely option.

He also revealed that the BCCI fraud went back "beyond 1985", although he would not give any further details.

Separately, Mr Jaans said that what he described as "a serious problem of solvency" in BCCI's 1990 accounts had been only one factor in the decision to close the bank down.

"It's just one element of the puzzle – a technical element – and not the most important," he said.

"In other circumstances, the shareholders could have stepped in, but here it's not just a technical problem of injecting capital. Here it's a question of the adequacy of the whole structure."

# Little credit accrued by outsider

## Andrew Hill on the closing of ranks in the Grand Duchy's banks

BANKS ARE big business in Luxembourg – each year they account for roughly 15 per cent of the tiny country's gross domestic product – and Bank of Credit and Commerce International was one of the biggest.

With $7.4bn of assets, it was up there in the top 10, alongside large German operators like Deutsche Bank and Dresdner Bank, which set up in the Grand Duchy only a couple of years before BCCI.

So, since its establishment in 1972, what benefits has BCCI brought to the Luxembourg economy?

"None," says Mr Pierre Jaans, head of the Institut Monetaire Luxembourgeois, the banking supervisor. "Only negative things. They've employed very few people here. They've paid very little tax. In addition, we've devoted disproportionate resources to monitoring their operations. No bank has been as closely monitored [as BCCI] by official supervisors and auditors."

Some 140 banks, mostly branches of foreign banks, have set up in Luxembourg over the last 20 years, enticed by a combination of zero tax on bank deposit interest, strict banking secrecy laws and, in recent years, the sheer concentration of financial expertise.

But, despite having been one of the founder members of Luxembourg's banking boom, BCCI did not seem to fit in. Fellow international bankers in Luxembourg had few kind words for the group yesterday.

A KNOT of anxious expatriate customers was waiting outside BCCI's unprepossessing registered office in Luxembourg at 9am yesterday, drawn by news of the bank's demise.

One couple, Mr Gerry Bolton and Ms Janet Solley, who work in Qatar and have substantial savings in the bank, cut short their leave in the UK on Saturday to fly to Luxembourg.

They warned that many British expatriates working in the Gulf would be hit by the closure of the bank. Many used BCCI because its branch network conveniently linked the UK with the Middle East.

Another Luxembourg customer said: "BCCI had so many branches, I thought it would be safe."

The front door of the bank's Luxembourg branch remained closed but customers gained entry to the building through a back entrance and confronted Mr Zahir Chowdhury, BCCI's Luxembourg manager, in the near-deserted office.

"How could you, as a banker, let this happen?" asked one angry depositor. Mr Chowdhury, following instructions, said he could not comment.

Indeed, many seemed reluctant to talk about BCCI's collapse at all.

"We never really considered them part of the banking community," said one German bank director. "It's a feeling we had. There was no proof, they never did anything obviously wrong, but we decided not to do business with them knowing their development and background."

When they learnt yesterday of the suspicions of both regulators and bankers in the Grand Duchy, anxious BCCI depositors – including British expatriates who had flown to Luxembourg specially in the hope of salvaging their frozen savings – were angry that action had not been taken sooner.

But Mr Jaans was quick to defend the IML's light regulatory touch, often cited as one of Luxembourg's attractions as a banking centre.

The alternative, he said yesterday, was "an Orwellian vision of the world", where all banks would be considered dishonest until proved otherwise.

Mr Jaans also rejected any suggestion that the IML, which employs just 35 officials to oversee the large Luxembourg banking sector, is either too small or too weak to act against major scandals. Banking regulations in most countries were weaker in the early 1970s, when BCCI was registered, he said, and new legislation passed by Luxembourg in the early 1980s had given the IML sufficient powers.

Furthermore, like Mr Robin Leigh-Pemberton, his counterpart at the Bank of England, Mr Jaans pointed out that until the incriminating report on BCCI appeared last month there had been neither legal nor financial reasons for acting against the group.

"BCCI represents a winding-up of a piece of the past. We have no banks of that kind here now and there is no specific lesson to be learned when you have been cheated," he added.

Nonetheless, the BCCI collapse is bound, at least in the minds of outsiders, to have dented Luxembourg's hard-won credibility as a financial centre. Insiders are less worried.

"We've already gone through this once with the BCCI money-laundering case," said one banker yesterday.

The Luxembourg authorities absolved BCCI's operations in the Grand Duchy from any blame in that case. But they did take tough action to try to calm worries that the prized banking secrecy laws were being exploited by disreputable customers.

Ironically, the BCCI collapse is potentially more damaging for Luxembourg's reputation simply because the fraud came from the opposite direction: it seems to have been brewed up by the bankers themselves and not their clients.

As Mr Jaans put it yesterday, somewhat ruefully: "It shows that someone who wants to cheat and does it intelligently can go a long way. I feel very bad about having been cheated so successfully, but I'm in good company."

DAMAGE TO BANKS

# Few rivals admit to large exposures

By Richard Waters

THE surface of the world's financial system registered barely a ripple yesterday from the collapse of BCCI.

The $2bn (£1.2bn) owed by BCCI to other banks, generally through short-term credit lines or as a result of uncompleted foreign exchange transactions, was small in relation to the size of its balance sheet.

One Arab bank in London, commenting on BCCI's relatively small reliance on other banks for funds, said: "They generated a lot of cash from their own resources."

Several large UK and US banks said yesterday that they had no exposure to BCCI. It is believed that National Westminster, which was BCCI's UK clearing agent, was left with little or no liability.

Arab and Pakistani banks are thought to have the largest exposure. The London offshoots of several admitted yesterday to being owed money, but said the amounts were small and that in many cases they held deposits which could offset what they were owed.

Arab Banking Corporation said that it was owed a small amount as a result of its treasury operations, but refused to say how much. Another Arab bank, National Commercial Bank, said it had stopped dealing with BCCI.

The United Bank of Pakistan said that it was owed a net £1.6m, but refused to detail its gross exposure. Allied Bank of Pakistan, meanwhile, said it held more than £10m of BCCI deposits, which more than matched money it was owed.

If banks that hold deposits establish a legal right of set-off, money they hold will not be available to other BCCI creditors. The legal position is complicated, however, by BCCI's international structure.

Meanwhile, UK banks were coming to terms with their liability through the deposit protection scheme. One senior banker said: "It is iniquitous, having to support other banks like that. It means we have to support our competitors."

Colin Beere

John Sheehan: facing the future with his back to the wall

# Watching the ground open up beneath 20-year-old business

By Neil Buckley

WHEN MR John Sheehan wrote 200 wage cheques drawn on his account with BCCI on Friday, he did not expect any problems. He had £500,000 with the bank.

At 6pm, Mr Sheehan's accountant tracked him down and broke the news that BCCI had closed. A phone call to his office in Southall, west London, confirmed that angry employees had been arriving all afternoon with their worthless cheques.

"At that moment, I thought I was finished. All my business' money was with BCCI."

Mr Sheehan, 48, an Irishman who moved to the UK 30 years ago, is the manager of Springwell Haulage, a road haulage and labour contracting business. He has spent 20 years building up his business, which became a limited company two years ago. He moved his business account from Allied Irish Bank to BCCI only a year ago, because it "offered better interest".

Mr Sheehan is owed money by some contractors, and hopes to be able to pay off at least some of the outstanding wages. His longer-term future is uncertain. "I'd put my chances of survival at 50:50."

PARLIAMENT

# Calls for increased payments rejected

By Ivor Owen

DEMANDS for more generous compensation for depositors who have lost money through the fraudulent activities of Bank of Credit and Commerce International were resisted by the government last night.

Mr John Maples, economic secretary to the Treasury, emphasised the need for caution when urged from both sides of the Commons to accept the inadequacy of the scheme limiting compensation to up to 75 per cent of deposits up to £20,000.

He also gave no encouragement to suggestions that local authorities which deposited large sums with BCCI should be given preferential treatment.

Mr John Smith, Labour's chief economic spokesman, led calls for the government to do more to help small businesses.

He said the arrangement under which Touche Ross, the provisional liquidator, would provide free advice for six weeks was not enough.

Mr Smith insisted something more substantial was needed to help businesses, particularly Asian ones which were in difficulties through no fault of their own and which provided many thousands of jobs in inner cities.

The government's attitude was strongly supported by Mr Anthony Nelson, Tory MP for Chichester, who said it had been apparent for some time that anyone who deposited money with BCCI "needed their heads tested".

He said payments of up to 75 per cent of £20,000 were quite adequate for small investors and that those who made bigger deposits "should know better".

Dealing with protests that more stringent regulations were needed to stop banks licensed in Luxembourg being permitted to open branches in any other EC country, Mr Maples acknowledged the need to ensure that common standards of supervision were in place throughout the Community.

## BUSINESSES FOR SALE


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C. A. NEWTON
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- Turnover £500k.

CREATIVE INTERIORS
- Reputable name in supplying high quality kitchen, bedroom and bathroom furniture.

STEELDEN FLOOR SYSTEMS
- Manufacturer of raised access floors based in Preston.
- Specialist production line.
- Turnover £2m.
- Confirmed orders £500k.

For further information contact The joint Administrative Receiver, Mick McLoughlin, KPMG Peat Marwick, St. Nicholas House, 31 Park Row, Nottingham, NG1 6FQ.
Telephone: 0602 483444. Telefax: 0602 483401

KPMG Corporate Recovery

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### G. Gruneberg (Timber & Veneers) Limited

*(In Administrative Receivership)*

*The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of the above company (including the subsidiary companies, Holmes (Wragby) Limited and The Hardwood and Softwood Agency Limited) which primarily imports and exports timber and veneers*

- *Group turnover (estimated) for the year ended June 30, 1991 £4,000,000*
- *Operates from leasehold premises at Harrow, Lincoln and Southampton*
- *Employs approximately 20 people*

*Offers will be considered for the individual companies or the group as a whole.*

*For further information please contact the Joint Administrative Receivers of G. Gruneberg (Timber & Veneers) Limited, A. R. Bloom and S. J. L. Adamson, Ernst & Young, 1 Lambeth Palace Road, London SE1 7EU.*
*Telephone: 071-928 2000 Ext 3330. Fax: 071-928 0425.*

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For further information contact the Joint Administrative Receiver, John Dare, KPMG Peat Marwick, 1st Floor, Dukes Keep, Marsh Lane, Southampton, SO1 1EX.
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KPMG Corporate Recovery

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- Well established (founded 1918) with excellent local reputation.
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THE BUSINESS SECTION ALSO APPEARS ON PAGES 15-17 TODAY

THE BCCI COLLAPSE

HONG KONG

# 'Sound' bank closed as Visa blocks its cards

By Angus Foster

HONG KONG'S banking commission moved in line with most regulators around the world yesterday and suspended all operations of Bank of Credit and Commerce Hong Kong (BCCHK), a 99 per cent-owned subsidiary of BCCI Holdings (Luxembourg).

Mr David Carse, banking commissioner, said he wanted to keep the bank open as long as possible but had been forced to order the suspension after Visa International, the credit card company, blocked all BCCHK credit cards. The bank was also having trouble finding counter parties for its trade finance business.

Hong Kong was one of only a few jurisdictions which did not close down the bank immediately. BCCHK opened for business on Saturday and saw no run on deposits.

BCCHK was expected to become the main Asian arm of the BCCI group if the restructuring which was under way had gone through. The bank has 4,000-5,000 corporate customers and is mainly involved in trade financing. The banking commissioner re-iterated that BCCHK remained sound and had not so far been implicated in the suspected fraud.

But the bank has performed poorly and earlier this year called on its major shareholders in Abu Dhabi for increased capital of HK$124.8m (£9.9m). The increase followed a HK$481.3m loss in 1990 taking accumulated losses to HK$960m.

The bank is also in dispute with the Hong Kong government for freezing HK$25.2m of deposits which secured a customer loan.

Banking sources suspect the account contained drug trafficking proceeds.

Mr Carse, who only joined the commission from the Bank of England last month, said there were three options for the bank. The commission would try to contact Abu Dhabi and secure the controlling shareholders' support. If that failed, the commission would seek a buyer for the bank or put it into liquidation.

SWITZERLAND

# Observer in place to protect creditors

By William Dullforce

THE SWISS Federal Banking Commission (FBC) has placed an observer in Banque de Commerce et de Placements (BCP), the Geneva subsidiary of BCCI, and reassured BCP's creditors.

BCP's exposure to BCCI had already been sharply reduced in recent years and was appreciably lower than its shareholders' capital, the FBC said. According to its information, BCP's creditors should be in no danger.

Liquidation of BCCI's operations would inevitably have repercussions for BCP, the FBC said. Accordingly, on Friday it had nominated Price Waterhouse, Geneva, as observer in BCP with powers to protect the bank's creditors. Any payment to BCCI would have to be approved by Price Waterhouse.

The FBC said it supported BCP's efforts to find new shareholders. BCCI controls 85 per cent of BCP through three arms: in Cardiff (35 per cent); in the Caymans (35); in Luxembourg (15). The balance is held by Union Bank of Switzerland.

HIGH up on the list of losers after the closure of BCCI are the employees of the bank itself, some of whom demonstrated outside the bank's Leadenhall Street headquarters yesterday, writes Neil Buckley.

The Banking, Insurance and Finance Union (Bifu) said it had received hundreds of calls from BCCI employees. Many of them had their entire savings with the bank.

"The outlook is exceedingly bleak for BCCI employees," Bifu said. "They have been left without a job, with a useless BCCI cheque book and Visa card in their pocket. Some of them had to borrow the bus fare to get home on Friday." The union said it expected some of BCCI's 2,000 employees would be kept on for a limited period to assist Touche Ross, the receivers, but it expected all of them to be made redundant eventually.

Many of the staff have mortgages from BCCI, which they will be liable to repay when they are made redundant. If they have no job, finding a bank to refinance their mortgage could be extremely difficult.

Those who had mortgages with other banks received financial assistance with their payments from BCCI and could also face demands for repayment.

RETAIL BUSINESS

# Banks asked to be 'sympathetic' to loan victims

By David Lascelles, Banking Editor

TERMS and conditions of loans from BCCI remain unchanged despite the bank's closure. Loans will not be called in, though borrowers will have to pay interest as before.

The eventual fate of the loans will depend on the provisional liquidators from Touche Ross who will be winding up BCCI's business. Borrowers will be notified of the closure of the bank, and of arrangements for servicing loans.

BCCI's 90,000 credit card holders cannot use their cards because their authorisations have been cancelled. Purchases made before the closure but not presented for payment by then will be unaffected.

Normally, the merchant receives payment from his bank, and the bank presents the payment slip to the card issuer for settlement. In this case, merchants will receive their money, but the bank will have to bear whatever loss results from the BCCI closure. The size of this potential loss cannot yet be estimated.

Credit card holders will get a statement of account from the liquidators, though this could take weeks. It was unclear yesterday whether holders will have to pay interest if statements are delayed beyond the normal 30-day grace period.

The Bank of England called in senior clearing bank executives yesterday to make arrangements for the transfer of business.

In the absence of normal credit reference procedures, Touche Ross will provide details of BCCI customers' account records to other clearing banks so that they can decide whether to accept them.

The Bank has asked the clearers to deal sympathetically with victims of the BCCI closure.

Depositors with BCCI who have a documented claim against the Deposit Protection Fund may be able to use this to obtain loans from other banks.

A spokesman for Lloyds Bank said his bank would be willing to accept BCCI customers, many of whom are Asian businessmen.

"We're always interested in good customers," he said.

## World round-up . . . .

● BCCI yesterday voluntarily suspended operations in Tokyo after notifying the Japanese ministry of finance that it would close its Tokyo branch temporarily, writes Steven Butler in Tokyo.

The finance ministry said that it had taken no action to encourage the branch to halt operations. A ministry official said that the Bank of England had made no request to that end.

BCCI's Tokyo branch held assets of Y89bn (£398.2m) at the end of March and was active in trade financing.

The ministry declined to say whether it was conducting its own investigation into BCCI affairs locally.

● DEPOSITORS continued to crowd the Pakistan branches of BCCI in Karachi, Rawalpindi and Lahore yesterday, withdrawing millions of dollars despite central bank assurances, reports Reuter.

"BCCI has not violated any banking rules in Pakistan and there is no complaint against it," an official of the State Bank of Pakistan said.

The Pakistani branches have paid out more than Rs500m (£12.8m) since Saturday.

Each account holder has been limited to withdrawing Rs100,000 without central bank permission. Fixed-term deposits are not being repaid until maturity.

● THE Nigerian affiliate of BCCI is operating normally with the backing of Nigeria's Central Bank, reports Reuter.

"We are enjoying the full support of the central bank," said an official at BCCI (Nigeria) Ltd, which, with 48 branches in the country, is BCCI's biggest operation in black Africa.


Privatisation

OF PAKISTAN TELECOMMUNICATION CORPORATION

The Government of Pakistan has announced the privatisation of Pakistan Telecommunication Corporation. In this connection, two pre-bid meetings were organised on 17th and 30th June, respectively.

The interested parties are reminded that the last date for expression of interest in the purchase of Pak Telecom or any of its services or regional networks is 15 July, 1991.

The intending bidders who wish to be pre-qualified are required to send the following information:

- The latest report and accounts of your company.
- A brief description of company's operations.
- A general description of how the company would plan to operate the Pak Telecom.
- An indication whether the company wishes to bid for the complete network or a part of it.
- A letter authorising the Ministry of Communications to make confidential inquiries about the affairs of the company.

The expression of interest together with the above stated documents should reach the undersigned by July 15, 1991. No bond is required at the pre-qualification stage.

Pak Telecom

Mr. Muhammad Sher Khan,
Additional Secretary,
Ministry of Communications,
Government of Pakistan,
'D' Block, Pak Secretariat, Islamabad, Pakistan
Telephone No. 92-51-824059 Fax No. 92-51-828724
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Upturn unlikely before next year as statistics underline weakness of industrial and consumer demand

# Pessimism deepens over UK economy

By Peter Marsh

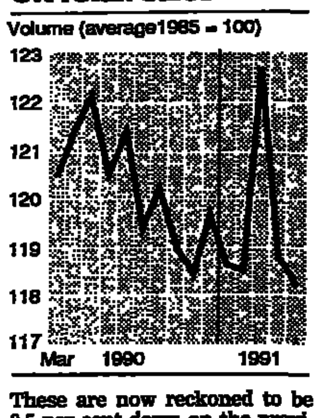
FURTHER GRIM news on the recession emerged yesterday, with statistics showing a sharp decline in consumer credit, the biggest annual fall in high street spending for more than a decade and a large increase in company receiverships.

The figures underline the weak state of consumer and industrial demand, and fit in with the growing evidence that a sustained upturn in the economy is unlikely before the end of the year.

According to the Central Statistical Office (CSO), consumers repaid in May a net figure of £36m on money owed to building societies, finance houses and bank credit cards – the first time since since records began in 1986 that seasonally adjusted outstanding credit has shown a month-on-month fall.

The CSO also revised its earlier figure for the decline in retail sales volumes in May. These are now reckoned to be 0.5 per cent down on the previous month, as against the earlier estimate of 0.3 per cent. According to the revised statistics, high street sales volumes in May were 3.2 per cent down on a year earlier, the biggest fall since June 1980.

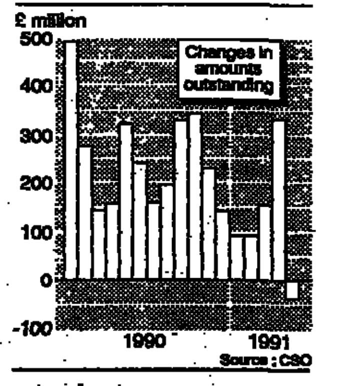
**UK retail sales**




Almost as many companies went into receivership in the first six months of this year as in the whole of 1990, according to figures published yesterday. Statistics collected by accountants KPMG Peat Marwick show that in the first half of 1991 there were 2,136 receiverships, compared with 2,634 in 1990. More than half the receiverships were in the south-east, but the highest increase took place in the south-west, where receiverships rose by 117 per cent.

The index of sales volumes was at its lowest level since September 1988. This indicates that the surge in buying activity on high streets earlier this year – sparked by the end of the Gulf war and the rush to buy goods before tax increases at the end of the March – has petered out.

**Consumer credit**




The new information on the economy sparked a call from the Retail Consortium, a retail trade group, for an early cut in interest rates, now at 11.5 per cent.

Mr Gordon Brown, for the Labour party, said redundancies were "sweeping the high streets as well as factories".

Government statisticians prefer to look at retail figures over the past three months compared with the previous quarter, and on this basis sales volumes between March and May showed a rise of 1 per cent.

During the six months to May, volumes were down 0.2 per cent compared with the previous half year. The Treasury said the decline in sales volumes evident since last year had "probably flattened".

*Much of the decrease in net* outstanding consumer credit in May was due to people paying off debts on bank credit cards, where the outstanding debt fell by £76m. Lending on cards rose substantially in March and April, partly to pay for goods bought in the high streets before the tax increases took effect.

Lex, Page 22

# Court wrestles with Iraqi bank dilemma

By Raymond Hughes, Law Courts Correspondent

THE international sanctions against Iraq following its invasion of Kuwait have presented the High Court in London with a problem.

The Bank of England has presented a petition seeking *the winding-up of Rafidain* Bank, an Iraqi state-owned bank whose London branch has been brought to a standstill by the sanctions.

According to court-appointed liquidators Rafidain Bank has a deficiency of not less than £3bn.

The court was told yesterday that the Bank of England had presented its petition to prevent a "scramble" for Rafidain's assets in the UK.

A winding-up order would affect Rafidain worldwide and the court's problem is: has it the power to make a winding-up order against a bank owned by a foreign state?

The Iraqi government, which opposes the petition, says it has not.

Lawyers for the Bank of England, Rafidain, the liquidators, the Iraq government and creditors agreed that, the position of creditors could not be resolved until there was a diplomatic or political solution to the Iraq problem.

That enabled Sir Nicolas Browne-Wilkinson, the Vice-Chancellor - the senior judge of the Chancery Division - *to defer consideration of the* jurisdiction issue. He adjourned the petition for a year but said if any party decided within the next 28 days it wanted to have the petition dealt with, it could come back before the court.

When counsel for a creditor expressed the hope that the English court was "not a court to protect Baghdad creditors" Sir Nicolas replied: "That's exactly what we are."

The Bank of England presented the petition on February 21 and provisional liquidators were appointed the same day.

Mr Michael Crystal QC, representing the liquidators, said any winding-up order was likely to be a protracted, complex and expensive business trying to get other countries to recognise an English court's winding-up order or the liquidators' title to Rafidain's assets.

# Environmental watchdog to police business and industry

By John Hunt, Environment Correspondent

A NATIONAL environment agency embracing the work of the Pollution Inspectorate, part of the National Rivers Authority and all the regulation of waste disposal was announced yesterday by Mr John Major, *the prime minister*.

He said a unified agency was a "significant step forward" so that policing of different aspects of pollution of the environment could be pulled together.

The intention is to have "a one-stop shop" so that business and industry will have its pollution control dealt with by one set of inspectors implementing standardised regulations.

The speech was welcomed by the Pollution Inspectorate. But, despite a cautious welcome from Lord Crickhowell, chairman of the NRA, there were fears among his staff that it will mean the dismemberment of the NRA.

Lord Crickhowell said he would be strongly recommending to the government that the entire NRA should come under the new agency rather than just part of it being absorbed.

It was Mr Major's first big speech on the environment and was intended to establish his "green credentials" in the run-up to a general election.

The Conservatives have lagged behind the other main *parties on the question of a* national environmental protection agency. Labour and the Liberal Democrats propose to establish a powerful and independent body along the lines of the Environmental Protection Agency in the United States.

The government was accused by Labour of performing a U-turn as it had rejected a national agency 18 months ago. A consultation document will be issued on Mr Major's proposal. A bill will be introduced to implement it but this is unlikely to happen until after the general election.

The announcement was welcomed by industry but brought a cautious response from green organisations which feared the agency might not be independent of government and would lack "teeth" and resources. There was also concern that it would not cover conservation and land use.

At a press conference, Mr Michael Heseltine, environment secretary, described it as "an important and exciting" proposal. He said the agency would give independent advice to the government but would *not be drawn further on its* structure or resources.

The NRA employs 7,000 people but only about 400 are engaged on pollution control and it is this section which would be taken over by the new national body.

But the NRA also has much wider responsibilities including drawing up a strategy for the best use of water resources, recreational use of water and the building of flood defences. It is not clear whether any of *these functions would be taken* over by the agency.

The Pollution Inspectorate, which only employs 300, polices emissions to air, land and water and some radioactivity. Mr David Slater, head of HMIP, welcomed the announcement. He felt the functions of the inspectorate and the NRA complemented each other – "We are the bowlers to their batsmen."

# Training scheme in need of 'fundamental reform'

By John Gapper, Labour Editor

RELATIONS between the government and the employer-led Training Enterprise Councils (Tecs) have deteriorated to the point where they are unsustainable without fundamental reform, according to an internal Department of Employment review.

A summary of the review, which has led the government to try to establish a new "strategic alliance" with Tecs, says that tensions between Tecs and the government have been exacerbated by the recession and cuts in funding for training programmes.

The review, disclosed yesterday by Mr Tony Blair, Labour's employment spokesman, found there were deep seated problems in the relationship which were "increasing rather than diminishing" and which made it unsustainable in its present form.

A summary of the review written by Sir Geoffrey Holland, the department's permanent secretary, was given to staff last week. The review was set up because of arguments over the degree of flexibility given to Tecs by the government.

The disclosure follows the abandonment of the government's Youth Training scheme by employers including Midland Bank and Mothercare because of the recession, and difficulties in negotiating training contracts with the 82 Tecs in England and Wales.

It shows that arguments between the government and Tec leaders over the amount of flexibility Tecs are allowed in altering training schemes and over public funding have developed to the point where they are interfering with the framework.

Mr Michael Howard, the employment secretary, has accepted the conclusion of the review that Tecs and the government should develop a new partnership. This was the alternative to Tecs having greater autonomy or the government exercising more control.

The review found the Department of Employment will need to become "substantially smaller in numbers and more professional" for the alliance to work. Many Tecs complained that "excessive"

Tony Blair: 'wilful neglect'

departmental staffing was a major cause of tension.

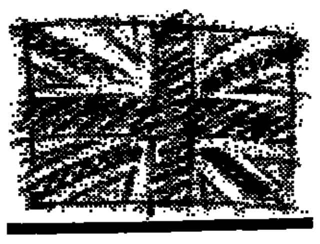
It said that some departmental functions, such as the need to provide services directly to Tecs, would diminish considerably. The department's new functions would include managing Tec performance and providing support to ministers.

Mr Blair said the review had exposed "the wilful neglect of Britain's training needs at the heart of government policy". He said the government's forthcoming discussion document on trade union reform ignored the "absolute necessity" of improving training.

He said the energies of the Department of Employment were "being consumed with reviving the issues of the 1970s in the interest of the Conservative Party when they should be concentrated on meeting the challenges of the 1990s".

Separately, the biennial delegate conference of the Transport and General Workers Union yesterday voted against the advice of TGWU leaders to boycott the government's Youth Training scheme. The union already boycotts the adult Employment Training scheme.

## BRITAIN IN BRIEF



### British Gas in £500m joint venture

Midlands Electricity, the power supply company in central England, plans to build a 1,200MW gas-fired power station in the south west at Avonmouth in a joint venture with British Gas. A third partner, probably another regional electricity company, is likely to join the project if it goes ahead.

The proposed plant, known as Seabank Power, could cost £500m. It is the largest plant announced by British Gas since it set up a special unit for moving into power generation as part of its Global Gas department 18 months ago.

### Bridge project go-ahead

Work on Belfast's new cross harbour rail and road bridges, regarded as one of the province's most important transport projects ever undertaken, is to start in the autumn, it has been announced. The £87m scheme, which will create 300 jobs during the construction period, is expected to attract substantial financial aid from the European Regional Development Fund. The bridges will sweep over the River Lagan, uniting the province's rail network and joining key main roads and motorway.

### Contract awarded

A £6.5m contract to refurbish 17 Kuwaiti libraries looted or destroyed during the Gulf war has been signed by the British Council with the Kuwaiti public authority of applied education and training. John Laing recently signed contracts with the Kuwaiti government worth £40m. John Laing International will manage the procurement, installation and shipping of the school equipment.

### Recruitment row at plant

An inter-union recruitment row is threatened following a decision by Northern Telecom, the Canadian telephone equipment maker, to derecognise two unions at one of its UK plants and consider bids from other unions to represent staff.

The company has told the National Communications Union and the Society of Telecom Executives that it will no longer recognise them at its Cwmcarn, south Wales plant, after September.

It indicated that it expects another union to represent non-managerial employees. The company has held preliminary talks with three other unions.

### Union leaders meet prime minister

Mr Norman Willis, general secretary of the Trades Union Congress, (pictured above, right) leaves 10 Downing Street yesterday where he and union leaders from other countries met Mr John Major, the prime minister. With him were Mr Lane Kirkland (left), of the American Federation of Labour Congress of Industrial Organisation and Ursula Engelen-Kefer, vice-president of the German Workers' Group. Union leaders called for a series of job creation measures, including interest rate cuts and more *spending* on infrastructure. Visits to meet the prime minister by union officials are uncommon but it is usual for the leader of the G7 host nation to meet a union delegation before the summit.

### BT's concern at amendments

BT is unhappy at the way the government has sought to pressurise it into accepting amendments to its licence proposed last week by Oftel, the telecommunications regulatory body. The company, formerly British Telecom, is concerned by comments made by Mr Peter Lilley, trade and industry secretary, to the Financial Times after publication of Oftel's proposals.

Mr Lilley said it was unlikely BT would want its annual profits of £3bn to be investigated by the Monopolies and Mergers Commission when what was affected by the licence changes would only be "a few tens of millions of pounds".

### Army cutbacks attacked

General Sir John Akehurst, former Deputy Supreme Allied Commander Europe, warned army cutbacks would reduce the infantry to "non-viability".

He said at least six more battalions were required than the current proposals to cut infantry battalions from 55 to 38.

Gen Akehurst, Colonel of The Royal Anglian Regiment, attacked the government's "cosmetic statistic" to justify the reductions which claim that the 20 per cent cut in defence is less than most of Britain's European allies.

### Engineering chief dies

Mr James Doel, 46, executive chairman of Triplex Lloyd, the industrial engineering group, died at the weekend of a heart attack. Mr Doel had played an important role in its transformation from a debt-ridden collection of foundries affected by the recession of the early 1980s to a diversified group with a growing international presence and a turnover of over £200m a year.

### Labour defends minimum wage

The opposition Labour party is to step up its defence of its national minimum wage with new figures suggesting the policy would generate £1.3bn in additional Exchequer revenues.

While the opposition admits that creating a minimum pay rate would add to the government's own wages bill, it says the outcome for the Treasury would be a net gain from higher tax receipts and lower benefit payments. Tory estimates claim that new costs from increased outgoings would be £1.5bn. Labour says this is only a long-term target and that the initial rate would be based on half average pay or £3.40 an hour current rates.

### Road schemes

Fifteen bypass schemes costing £85m have been announced by the government. Towns to benefit include Christleton and Waverton, Cheshire; *Turvey, Beds; Kilkhampton,* Cornwall; and Bishop Burton, Yorks.

# High-tech companies 'facing bankruptcy'

By Ivo Dawnay, Political Correspondent

WELL-MANAGED British high technology companies are being pushed to bankruptcy by high interest rates and the lack of tax incentives for innovation, the opposition Labour Party said yesterday.

In a week intended to focus on Labour's "European" credentials, Mr Gordon Brown, the party's spokesman on trade and industry, said that the party's proposals for manufacturing paralleled those in force in Germany, France and the US.

Emphasising that products *originally invented in the UK* were increasingly being commercially developed abroad, he claimed that 3,500 "high tech" companies would collapse as a consequence of the recession.

In the 12 years of Tory government, some 100,000 high technology jobs have been lost and a sectoral balance of payments surplus has become a deficit.

Meanwhile, figures from the Organisation for Economic Co-operation and Development (OECD) show the UK has been the only one of 19 countries with negative annual growth in government support for civil R&D.

Whereas Spain showed 12.2 per cent growth, Italy 4.8 per cent, and the US 4.7 per cent, in the UK funding had fallen by 0.6 per cent yearly, Mr Brown said.

Brown: proposals to mirror moves in US and Germany

"My fear is that, Britain will lose vital technological capability with much of our seedcorn destroyed in the make or break months to 1992," he said.

The Labour party's solution would be to adopt fiscal incentives for innovation similar to those used in France and the US and to cut interest rates immediately by 1 percentage point.

● Sony, the Japanese electronics company, yesterday agreed a single-union deal with the Amalgamated Engineering Union for a new television assembly plant in south Wales which is expected to employ 1,300 people.

# Political leader casts himself as a European hero

## The leader of the Liberal Democrats holds firm views on the future shape of the EC writes **Ralph Atkins**

"THIS is the politicians' trade union," exclaims Mr Paddy Ashdown, leader of the Liberal Democrats, Britain's third largest political party, as he points out of his office window to the House of Commons chamber above.

At times, in his room buried among Westminster's labyrinthine corridors, Mr Ashdown cannot contain his frustration at Parliament's apparent antipathy to Europe. He sees himself as by far the most pro-European of Britain's political leaders.

Undisputed *Euro-credentials* make it easy to attack Mr John Major, the prime minister, for "dithering" over a single currency. The Labour Party, Mr Ashdown says, is failing in its role as Her Majesty's Opposition.

As former cabinet ministers like Mr Nicholas Ridley and Mr Nigel Lawson, re-fight past European battles and Mr Neil Kinnock, Labour leader, prepares for a speech tomorrow on his party's European commitment, the Liberal Democrats only draw political capital.

But just as there are proposals about which Mr Ashdown is passionate – such as a strengthened European parliament and a independent central bank – so there are points to which he objects.

Mr Ashdown has a precise vision of the Europe he wants.

At times, in his room buried among Westminster's labyrinthine corridors, Paddy Ashdown cannot contain his frustration at Parliament's apparent antipathy to Europe

Liberal Democrat policy is based squarely on a "Citizens' Europe". That requires a significant re-working of existing institutions, not just building on the *status quo*.

Mrs Margaret Thatcher, former prime minister, had an "important point", Mr Ashdown concedes, when she argued Europe was in danger of European union being used as a Trojan horse for a return to corporatism.

"I don't want to see a Europe which is centrally-powerful, handing down various Brussels dictats," Mr Ashdown says.

"I want to see Europe, in terms of the citizen, setting out the minimum entitlements."

The present plans for a Social Charter, and the minimum wage in particular, strike him as "a classic example of the Brussels dictat approach".

IN his vision of a Europe, in which power is passed up from Westminster to Brussels and down to UK regions, Mr Ashdown readily accepts monetary union.

But he does not agree that requires an "over-arching and suffocating" economic union as well. He opposes the large-scale transfer of control over national budgets and fiscal policy.

Similarly, he would set clear limits on the competences of Europe.

He is enthusiastic about a common European foreign policy, and eventually a common defence policy.

But he does not see why greater union should involve, say, education or the social security system except, perhaps in setting out benefit entitlements or standards for entry into higher education.

*If he were in Mr Major's* shoes in debates over political union, he would be arguing for a "citizens' Europe" resting on a strong partnership between the European Parliament, council and commission.

He is not afraid to call it Federalism. He would stress two stalwarts of Liberal Democrat policy: electoral reform and open government.

There would be strengthened civil rights.

But if he were in the prime minister's position, would he be as forthcoming and as flexible? Opposition parties have the luxury of criticising without having to practice what they preach.

"I don't think it is unreasonable for us to 'say this is what we want'," Mr Ashdown replies.

"If you are asking me to predict at this point what might be the break points in negotiations when we are not even negotiating, I think you are asking a bit too much."

For Conservative and Labour MPs it is all too impressionistic.

SPEAKING in the recent Commons debate on Europe, Mr Douglas Hurd, foreign secretary, said Mr Ashdown was "a joy to listen to on these occasions.

"He is always happier with his feet off the ground. Both at home and abroad this is characteristic and rather endearing."

Mr Ashdown is unabashed, dismissing as "a particularly Anglo-centric an insult," the accusation while pretending to be a visionary he would, in practice, be just as inflexible as Labour and the Tories.

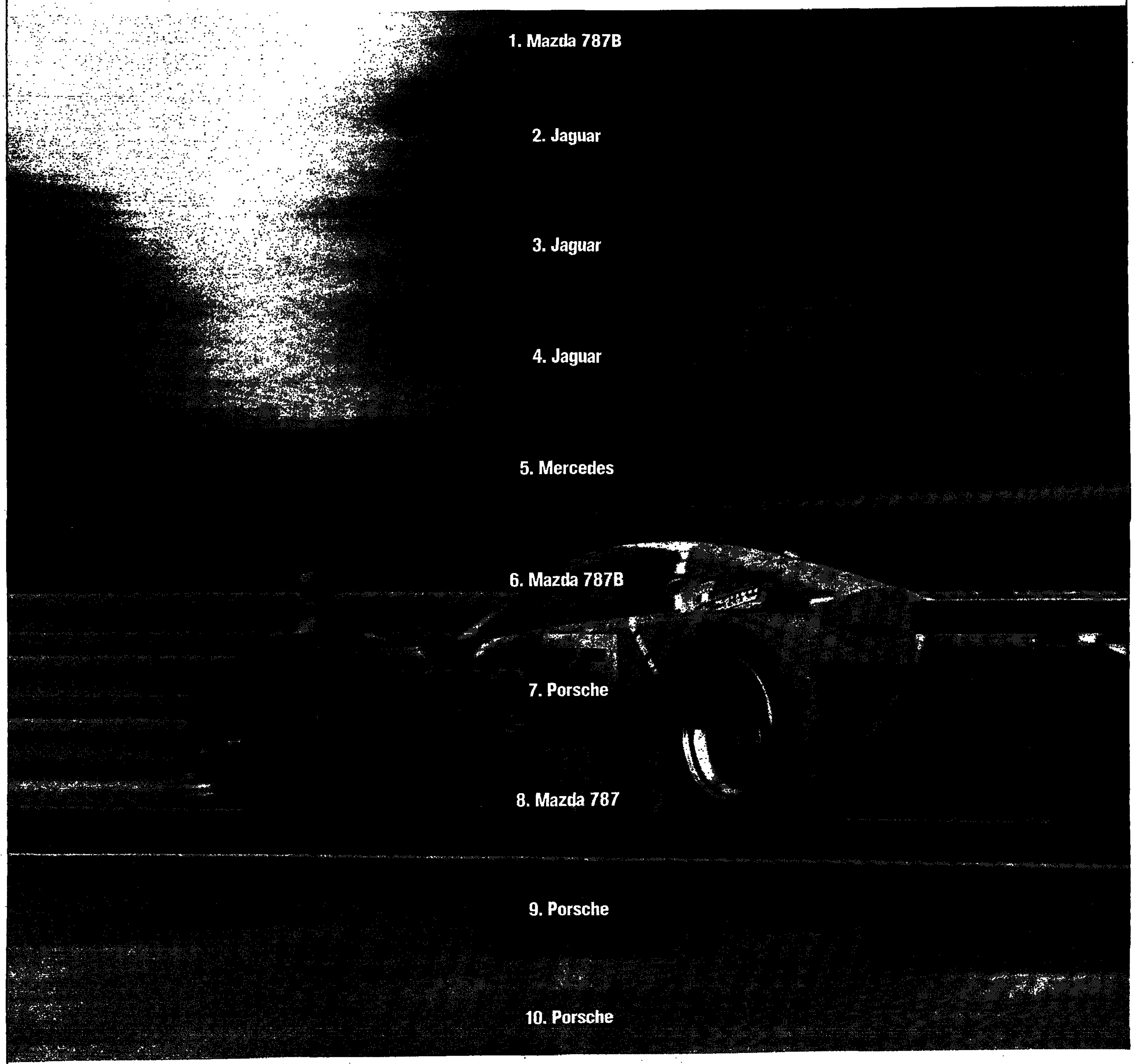
Under Mr Ashdown the Liberal Democrats have strengthened links with other European liberal parties – particularly in Germany and Ireland.

"We may be in the British backwater on Europe – though I don't know if we are with the electorate – but we are in the European mainstream," Mr Ashdown says confidently.

And Mr Hurd's jibe?

"Like being laid about the head by a handkerchief," he retorts.

# At this year's Le Mans, we had quite a following.

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## TECHNOLOGY

# In a class of its own

**Paul Cheeseright** enters the corridors of Kingshurst City Technology College

"IT'S NOT like a school, really." This was the first reaction to Kingshurst City Technology College from a 15-year-old visitor, standing in the grey and red foyer trimmed with blue.

"Grey for colour, red for hum," as Valerie Bragg, the principal, put it. Exactly the same words were used by a college pupil, quoted in a new *study** by Geoffrey Walford and Henry Miller, two lecturers at Aston Business School.

The sentence is scarcely profound, but it goes to the heart of a serious problem for city technology colleges (CTCs) generally. This is the sharp disparity between local perceptions of them and the political and educational animosity they excite in a swirl of argument about the distribution of scarce resources and ideological sores like selectivity.

As Walford and Miller point out, the pupils at Kingshurst want to be there and their parents want them to go; more than 1,000 applications for 180 places in the new intake suggest a degree of local demand.

But the government's ambitions for the colleges have floundered: only 13 of the 20 planned have been established. The notion of attracting corporate funding evaporated in the face of industrial indifference and the unwillingness of companies to sever ties with schools to which they were already attached. The hostility of the educational system has eroded hopes that CTCs would be immediately influential as centres of excellence.

Now the arguments about the colleges will revive again. That became inevitable in a speech last week by John Major, the prime minister, which made clear that the government will seek to revive the flagging CTC initiative.

Walford and Miller have their timing right. Their study has a useful introduction to the politics and policies of the CTC initiative. This provides a context for the first detailed insight into the working of a CTC. Starting as sceptics, they conclude that CTCs "cannot engage in any meaningful way with most of the real and perceived problems and tasks that have been set for them".

Kingshurst was the first CTC in Britain, opening its doors in 1988. Walford and Miller did their research at the college in late 1989, since when the college has substantially enlarged, so to some extent they are out of date. But they captured the spirit of the place and noted the factors which set it off from the local authority schools of the area. In those regards, little seems to have changed.

CTCs were presented as a way of breaking the grip of what the government saw as left-wing educational authorities. They would be rich in science and technology. They would give inner-city kids, deprived of opportunities, a new opportunity. They would be independent, jointly funded by government and industry. Although private, they would charge no fees.

The first point about Kingshurst is its locality. It is just over the east Birmingham border in Solihull because the Birmingham authorities refused to have it. Solihull was more compliant. It is not in an area of deprivation so much as an area of council estate uniformity.

The idea of equal government and industry funding was quickly scotched. Kingshurst was set up with about £2m of private-sector funding while the government put in £8m and provides a capitation allowance.

Kingshurst is, to be sure, full of electronics: satellites on the roof, rooms which can communicate with each other and classrooms which have abandoned the old ideas of desks in serried ranks.

Valerie Bragg, Kingshurst principal, with one of the college's students

But to call it a technology college is a misnomer. Walford and Miller noted that, in the second year, less than 30 per cent of the time was devoted to subjects which could strictly be called scientific or technological.

Bragg makes no apology for this. The school has embraced the national curriculum. "I believe in a balanced and broad curriculum," she says.

The obvious differences with the local authority schools occur at sixth form level, where Kingshurst has adopted the baccalaureate and the B.Tec. But the differences spring from the freedom with which the college can operate. This spills over from experimentation in the teaching process itself, into the managerial structure of the college, into the absence of uniform decoration and into the demands made on students. They start work at 8am and have both breakfast and lunch breaks.

But Kingshurst is isolated. Teachers from other schools in the area do not visit. The college has links with business but is not part of the community at large. It has been ostracised, but nevertheless it still attracts the customers.

** City Technology College, By Geoffrey Walford and Henry Miller. Open University Press, £12.99.*

# Fresh wind in the willows

**David Owen** handles a double-faced cricket bat that is all the rage

TIM KEELEY'S workshop, tucked away above a lawnmower shop in the Sussex village of Robertsbridge, scarcely looks like it is at the cutting edge of technology.

With its ancient carpentry tools, piles of woodshavings and accumulation of cricketing bric-à-brac it resembles rather a repository of traditional craftsmanship.

But Keeley is one of the batmakers chosen this year by the Bristol-based Classic Bat Company to craft the double-faced bats which it is marketing. In the deeply conservative world of English cricket, the double-face is this year's "New Thing".

As its name implies, the new bat is fully reversible, having no back and a handle aligned flush with the blade rather than with the traditional slight bow. The blade is about an inch thick, widening to nearer an inch and a half at the toe. Though it has shoulders and is of regulation length and width, when photographed side-on it might be mistaken for a baseball bat.

The principal advantages of this singular design are twofold, according to John Courtney, Classic Bat Co's founder and managing director.

First, two faces can mean double the life, he says, adding that the bat might also facilitate the playing of the unorthodox reverse sweep shot, as perpetrated by Mike Gatting and Ian Botham.

Second, the sweet spot is "much larger" than on a conventional bat. "We have spread the area where there is a lot of wood across the whole of the back of the bat," he says. "There is as much meat in the toe as the middle."

Despite these claims, and despite the MCC's acknowledgement that the bat conforms with the laws of the game, the double-face has received a distinctly cool reception in certain circles.

"I am very indifferent about it; it is good for fielding practice but that is about the limit of what it should be used for," says John Jameson, the MCC's assistant secretary and a former Warwickshire batsman.

According to Jameson, few of "our young cricketers" who tried it found the bat to their liking. "Most said the balance did not feel right," he claims.

From a personal perspective, it was less the balance that disconcerted me than the repeated impulse to turn the bat around on catching sight of its second face where the back would normally be.

Notwithstanding John Jameson's indifference, the bat may well be used by one of the Sri Lankan players in the Lord's Test Match later this year.

Though the double-face has created a bigger than average stir, few recent cricket seasons have gone by without one bat-related innovation or another. Usually the aim is to combine the largest and/or juiciest sweet spot with the most comfortable balance or pick-up.

Scoops and jumbos are arguably the best known of these relatively new-fangled designs, along with the Australian bowler Dennis Lillee's ill-fated aluminium weapon. Some of the most intriguing and ingenious innovations include:

- The bat with the hole. Huntingdon-based Hunts County keeps down the weight of some of its meatiest bats by the simple expedient of drilling a circular hole down the length of the blade. The technique "gives the bat a nice sound, takes two to three ounces of weight out and does not weaken the blade since the hole is drilled parallel with the back of bat," according to Trevor Reed, sales and administration manager.

He says that the idea originated in about 1985 at a time when servicemen at several of the US Air Force bases in the area were asking Hunts to drill similar holes in their baseball bats. "We did try filling the hole with cork, but it didn't appear to make any difference," he says.

- The counter-balance bat. In counter-balances, a three to five ounce weight is built into the bat handle, which has the effect of making the blade seem lighter than it really is.
- The core handle. This was a bat handle designed in the early 1980s by the late John Newbery (whose company Tim Keeley now runs) with the aim of enabling the user to drive the ball harder and further. Instead of the traditional laminations of cane and rubber sections, an inner core of cane was encased in an outer ring of foam rubber.

"We stopped using them five years ago because we couldn't find a glue strong enough to cope with its flex," Keeley says. The fearsome Excalibur bats wielded by New Zealander Lance Cairns were fitted with these handles. Excalibur also had sawn-off shoulders, enabling more weight to be concentrated around its meat.

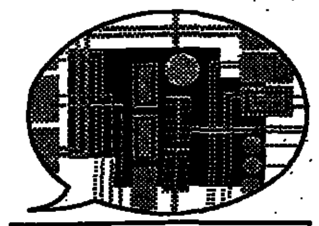
- The camel-backed bat. This blade is designed so that the sweet spot is close to the toe of the bat. It is so named because the back of the bat is somewhat reminiscent of the back of a two-humped camel.

Back in Tim Keeley's workshop, two further curiosities are worthy of mention. One is a bright orange bat with which he says the South African Barry Richards once made a Test Match century.

The other is a bat with four circular holes of two inches in diameter drilled deep into the back of the blade. "John must have been experimenting with weight distribution," says Keeley.

# The need to think global

**By Alan Cane**



### TECHNICALLY SPEAKING

Here is a snippet of information which suggests that the attitude of senior managers in UK companies to information technology is changing for the better.

ICL, the UK computer manufacturer now owned by Fujitsu of Japan, is one of the largest data processing training organisations in the country. Along with courses on computer languages and database technologies, it runs special two-day "executive programmes" designed to introduce senior people to the ways in which computers can help manage the business better.

Based loosely on the MIT study "Management in the 1990s", the courses are proving a sell-out. Every slot for the year has been filled and courses are being run at weekends.

John Gardner, ICL managing director, says the courses used to cater chiefly for finance directors and the like, non-computer specialists for whom responsibility for IT went with the job. Now it is the rest of the board, especially from larger companies, which is trooping along to Hedsor Park, ICL's training centre, for an injection of IT awareness in pleasant surroundings.

Not before time, some might say. Companies are increasingly being expected to think globally and to develop global strategies, but the indications are that thinking on the use of IT to support these plans is failing to keep pace.

Amdahl, the major US computer manufacturer, recently commissioned Roger Woolfe of the consultancy Butler Cox to investigate this phenomenon.

His study* encompassed 100 companies trading in at least two of the the world's three major trading areas – the Americas, Europe and the Pacific Rim.

It concludes that while 72 per cent of the sample expected to operate in more countries in three years' time than they do today, more than half (52 per cent) either never or only rarely consider the implications for their information systems when setting their global business strategy.

Does it matter? Woolfe, perhaps unsurprisingly, believes it matters very much: "For businesses that are competing internationally, the support of the right systems can be vital and proper management of systems on as global scale can lead to more efficient and effective systems across the business."

His view is reinforced by Caroline Daniels in a new Economist Intelligence Unit management guide**: "Most businesses will now have to compete in a global environment; a properly thought through IT strategy is essential to facilitate this."

There are a number of stumbling blocks that have to be surmounted, however, and no single, simple strategy will work for all companies.

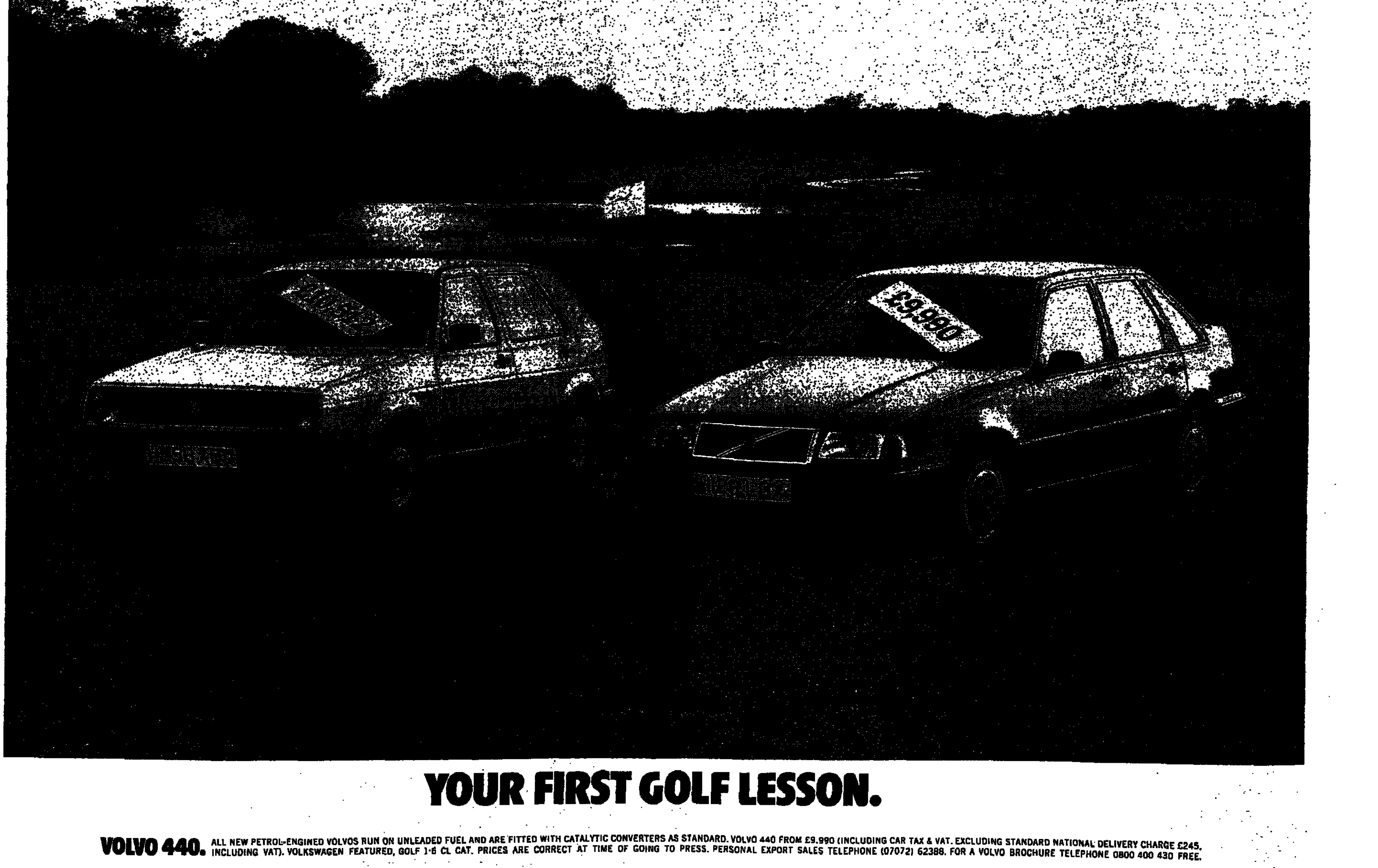
The difficulties include the technical problem of integrating new and existing systems and tying in those from third parties. Common industry standards or "open systems" should provide an answer, although the present confusion in the open systems marketplace does not suggest that a rapid solution is forthcoming.

Then there is the question of securing the active support and encouragement of top management. ICL's Hedsor Park experience indicates that senior executives are actively solving this problem on their own initiative.

Companies prepared to grasp the global systems nettle will find it hurts, but leaves them competitive. Those that do not will find bold international strategies difficult if not impossible to execute.

**Globalisation: The IT Challenge. Amdahl Executive Institute. Tel:0252 346281.*

***The Management Challenge of Information Technology. Economist Intelligence Unit. Price £149. Tel: 071-493 6711.*

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FINANCIAL TIMES SURVEY

# NEW ZEALAND

Tuesday July 9 1991

After six years of recession, the worst may be over. But the next couple of years could be painful for many, writes **Kevin Brown**. Only nine months after being elected, Mr Bolger's National government is behind in the polls since extending cost-cutting to the social services

## A glimmer of recovery

NEW ZEALAND'S politicians are not meeting in Wellington's Victorian Parliament House at the moment; their debates have been shifted across the road to the basement of a modern tower block while structural alterations make the older building safe from earthquakes. No-one much begrudges the cost of protecting MPs, but it is hard not to conclude that for many of New Zealand's 3.4m people, the earthquake has already happened.

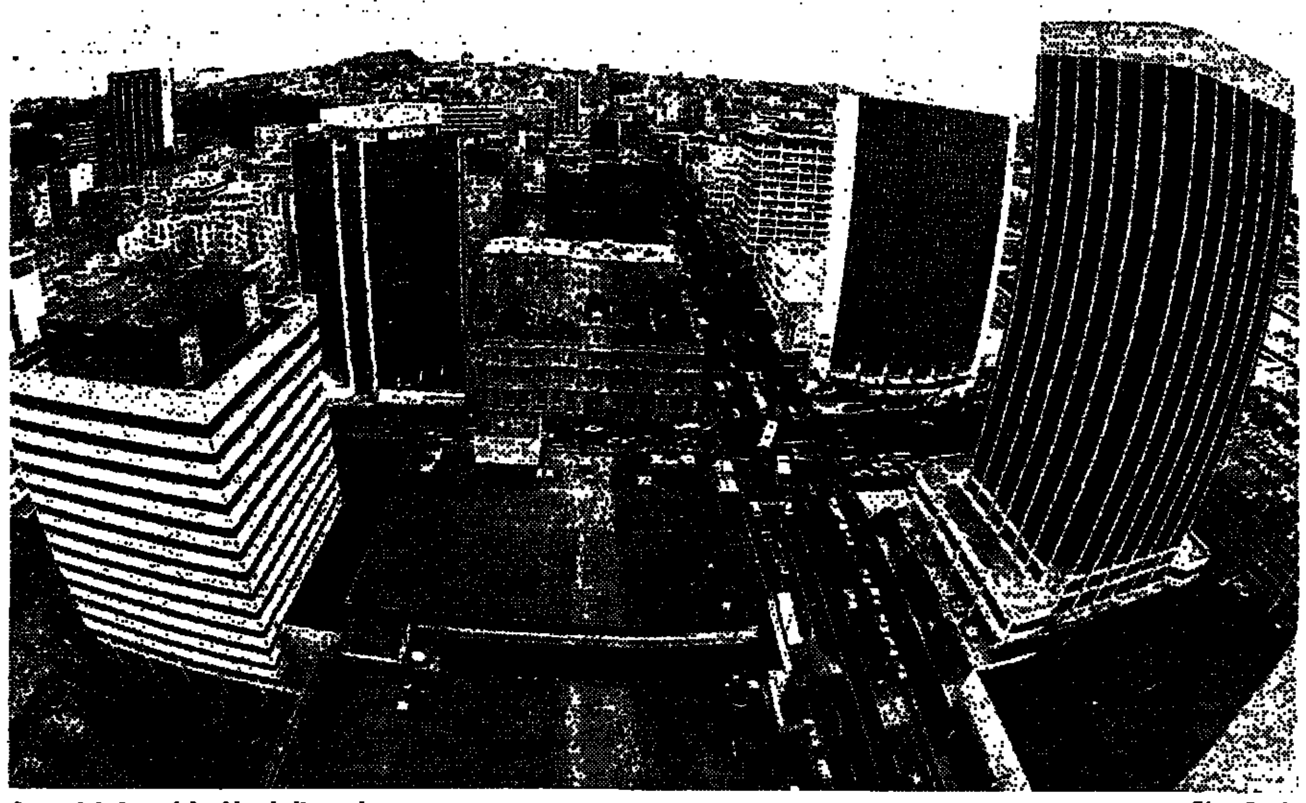
New Zealand has been in or near recession for six years, its economy stunted by the pain of radical change from strict regulation to market pricing, its people stunned by high unemployment, falling real incomes and mass emigration. So depressed has the country been that about 10 per cent of the population has decamped across the Tasman Sea to Australia.

That trend has begun to reverse in recent months as some of the emigrants return, propelled by recession in Australia and the first glimmers of economic recovery at home. But while the worst may be over, real economic growth is likely to be marginal in the short term, and the next couple of years are likely to be painful for many, especially those dependent on welfare benefits.

In relative terms, New Zealand's decline has been rapid. Only 40 years ago the country had the world's third highest standard of living, as measured by gross domestic product per capita. Even 20 years ago, it ranked 15th. This year, it stands at number 23 in the international league table, passed in the last decade by Hong Kong and Singapore.

The principal cause was New Zealand's failure to respond quickly enough to the post-war decline in prices for agricultural commodities, which make up 62 per cent of its exports. Governments tried to keep the illusion of prosperity by borrowing overseas to finance budget deficits, while hiding behind a virtual command economy. Yet the long decline continued, reflected in growth of just 0.2 per cent in GDP per capita between 1974 and 1984 compared to an average 1.8 per cent for New Zealand's partners in the Organisation for Economic Co-operation and Development.

In retrospect, that traumatic decade marked a turning point for New Zealand. The most important event was the entry of Britain – then New Zealand's biggest market – into the European Community in 1972. Britain negotiated special quotas for New Zealand butter and lamb exports, but it was clear that the country's days as the UK's South Pacific farm were numbered.



An aerial view of Auckland city centre — Glyn Genin

Further hit by the two oil shocks of the 1970s, New Zealand responded by tightening protection and stepping up overseas borrowing to pay for projects intended to stimulate the domestic economy. By 1984, even the National party government of Sir Robert Muldoon realised the strategy was not sustainable, and the country began moving towards looser government control of the economy.

It was the Labour party, elected in that year, which plunged New Zealand into a whirlwind of change which has yet to abate. By the time it stumbled exhausted from office late last year, Labour had scrapped import licensing, reduced or abolished most tariffs and export subsidies, floated the currency, deregulated banking, reformed the tax system, created an independent central bank, and privatised large chunks of the state-owned economy, including Air New Zealand, NZ Telecom, NZ Steel, two banks and Petrocorp, the government-owned energy group.

It was an impressive attempt to come to terms with the reality of New Zealand's place in the international trading system. But although there were some gains, the pain was greater. On the credit side, the budget deficit fell from 9 per cent of GDP in 1984 to 1 per cent in 1990, and the underlying rate of inflation tumbled to less than 5 per cent from an average 15 per cent in the previous two decades.

But growth remained largely flat or negative, the current account remained stubbornly in deficit, the foreign debt ballooned to about 70 per cent of GDP – one of the highest ratios in the OECD – labour productivity continued to decline relative to other advanced economies, and unemployment rose to more than 7 per cent of the workforce, a historically high figure for a country used to full employment.

Much of the pain was felt by Labour's traditional low income supporters, many of whom deserted the party at the October election. But it is a measure of the problems facing New Zealand that Labour is leading Mr Jim Bolger's National party in the opinion polls, only nine months after being reduced to a parliamentary rump, despite indications that the economy is beginning to bounce back as business confidence rises and interest rates fall. Inflation is on course for the government's target of less than 2 per cent by 1993, and may even fall as low as 1 per cent next year.

Mr Bolger has angered the voters by reining in spending as part of National's drive for a balanced budget by the end of its first term in 1993. However, unlike Labour, National has extended cost-cutting to the social services. Unemployment and other benefits fell by 25 per cent in April, and further savings are likely to be announced in the budget later this month.

The cuts are deeply unpopular, and have provoked Labour claims that the government is trying to dismantle the welfare state – a source of pride for generations of New Zealanders. At least one cabinet minister is privately sympathetic to this view, and a large part of National's parliamentary party is worried enough to consider voting against the government when the next round of cuts is introduced.

Mr Bolger, a phlegmatic North Island farmer, says he is not worried by the government's unpopularity, and is gambling on economic recovery over the next two years to keep him in office. But the economic adjustment is putting great stress on the fabric of New Zealand society, illustrated by violent demonstrations and threats against cabinet ministers. Something is clearly wrong when an amiable man such as Mr Ken Douglas, long-serving president of the NZ Council of Trade Unions, says he feels like physically attacking the prime minister.

The obvious conclusion is that New Zealanders still do not realise that the days of government-financed prosperity are over. In a recently published analysis* which grew out of his study The Competitive Advantage of Nations, Professor Michael Porter, of the Harvard Business School, paints a depressing picture of a country hamstrung by low and declining labour productivity, highly vulnerable to external shocks, and prone to "borrow and hope" to finance a social security system it can no longer afford.

Yet Prof Porter also concludes that there is nothing inevitable about New Zealand's economic decline. What the country needs, he argues, is more of the free market policies of the last seven years, plus improvements in education, training, communications and other components of international competitiveness.

"These changes will take decades fully to bear fruit, but must begin immediately. Their very character demands that New Zealanders develop a broad-based understanding of their situation and a consensus about what needs to be done," says Prof Porter.

Thanks to the structural adjustment of the past seven years, the outlook for the country's economy looks more promising than for several decades. But senior National party ministers are aware that more pain will have to be inflicted before the results of greater competitiveness start to flow through. That will require strong nerves from the government, and delicate handling of the sufferings of large sections of the New Zealand population.

**Upgrading New Zealand's Competitive Advantage; Graham T. Crocombe, Michael J. Enright and Michael E. Porter; Oxford University Press*

**IN THIS SURVEY**

*(Above) A signpost outside Auckland airport*

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**Kevin Brown** on the dramatic change in fortunes of government and opposition

# Nine months: a long time in politics

The "Beehive", the Parliament Building in Wellington

ON ELECTION night in October, Mr Jim Bolger, the victorious National party leader, promised to govern in the interests of all New Zealanders. Nine months later, it seems most of his countrymen would prefer him not to govern at all.

In one of the most dramatic turnarounds in New Zealand political history, the opposition Labour party has recovered from a crushing electoral defeat to lead National by a significant margin in the opinion polls.

Even more galling for Mr Bolger, his personal rating as preferred prime minister has dropped behind Mr Mike Moore, the Labour leader, and has at times been only marginally ahead of Sir Robert Muldoon, the former National party prime minister who now sits on the back benches.

The key to the government's unpopularity is the pain caused by its programme of deregulation and liberalisation, which is completing the transition begun by Labour from strict regulation to a more market-oriented economy.

National's social spending cuts and refusal to relax monetary policy have alienated voters and triggered claims from some party members that the cabinet has been captured by the same "right-wing ideologues" who drove Labour to defeat.

Sir Robert, who headed one of the western world's most interventionist governments, has become a standard bearer for this view through his Sunday afternoon talk-show on Radio Pacific. But the government's free market policies are also under fire inside the cabinet from Mr Winston Peters, the populist Maori affairs minister, who seeks a policy relaxation to ease the pain being felt by poorer New Zealanders, many of whom are Maoris.

However, Mr Bolger shows no sign of being driven off course by the opinion polls or internal party dissent. "I expect us to languish in public opinion for a little while yet because we have taken decisions that were not expected and which some people find distasteful," he says.

"Most people out there agree that there has to be an adjustment, but up to very recently they always thought the adjustment was going to affect someone else."

The government may need to find a way of involving its restless backbenchers in policy formation to prevent frequent parliamentary rebellions, according to many political observers.

But Prof Keith Jackson, head of political studies at the University of Canterbury, says there is no sign of a credible alternative emerging. He rules out any surge in support for Mr Peters or Sir Robert Muldoon.

Mr Roger Kerr, director of the Business Round Table, which is close to National leaders, says the party remains tightly in the grip of the three ministers most identified with its free market agenda – Mr Bolger, Ms Ruth Richardson, finance minister, and Mr Bill Birch, employment minister.

Labour's fortunes have risen, although the party is in the middle of a wide-ranging review of policies and organisation launched in the wake of its defeat.

Mr Moore has adroitly exploited the difficulties that National has had in implementing its programme of deregulation and liberalisation, even though the thrust of the government's policies is similar to those pursued by Labour in the previous six years. He admits that Labour's resurgence is largely a reflection of the government's problems but also claims Mr Bolger is paying the price for making promises he has been unable to keep.

The Labour leader's strategy has been to probe the tensions in the government in the hope that it will fall apart, while rebuilding his party by trying to take it back to the grassroots members who felt their views were being ignored.

Like several other leading Labour MPs, Mr Moore speaks increasingly of the successes of corporatist societies such as Sweden, and claims the party now believes that "change can be secured more quickly through co-operation than by the law of the jungle."

The difficulty with this strategy is that it risks a split between the emerging corporatists and unrepentant members of the previous government such as Mr David Caygill, former finance minister, who says he has "no regrets" about Labour's six years in office.

It also exposes Mr Moore to criticisms that his rejection of Labour's free market policies as "an aberration" smacks of hypocrisy in the light of his six-year stint in the cabinet.

Nevertheless, the opinion polls have kindled hopes in Labour breasts that the party might return to office at the next election in 1993.

The model will be the "growth agreement" negotiated between Mr Moore and the NZ Council of Trade Unions last year in a last-gasp attempt to stave off electoral defeat.

The agreement, which fits neatly into Mr Moore's vision of a "negotiated economy" bears some resemblance to the Australian Labor government's "Accord" with the Australian unions, under which tax cuts were traded for wage restraint.

In the New Zealand version, the unions agreed to trade wage restraint for lower interest rates, which Labour proved unable to deliver because of its election defeat.

Much is being made of the successful negotiation of the agreement, and of the opportunity it offers an incoming Labour government to replace the free market structures created by the National party.

But Mr Bolger still has more than two years before the next election, and the hard truth for Labour is that it would take a swing of almost unprecedented proportions to unseat him. In spite of the opinion polls, the odds are still on National.

**Profile:** THE PRIME MINISTER

# It's tough at the top

MR Jim Bolger is proving to be a chameleon in New Zealand politics.

When he led the National party to a landslide victory last November, most voters expected him to slow down, if not halt, the hectic pace of reform of the Labour government. He was seen as colourless and cautious, and a leader who would work hard to ensure consensus politics.

In opposition, he produced a string of campaign promises, which suggested a continuation of the social welfare state, and of the superannuation scheme introduced by the Muldoon administration, of which Mr Bolger was a key cabinet minister.

Within a month the electorate saw a new, tougher, more ideological and decidedly right-wing Bolger. Pleading economic poverty, and that the "books" were found to be in a worse state than expected after the election, he supported Ms Ruth Richardson's tough December mini-budget which slashed welfare spending. It promised more widespread cuts as "user pays" are introduced for everything from education to hospital treatment, with a new emphasis on ensuring the elderly look after themselves, in line with the finance minister's 1986 statement that "old age is predictable, so if old people are poor and needy, it is probably because they have been improvident."

The one area where Mr Bolger and his closest ministerial aide, Mr Bill Birch, have acted predictably has been in curtailing union powers, but even here the legislation went further than expected and sparked massive protests.

Jim Bolger: conversion to free market philosophies

Mr Bolger, the son of immigrant Irish parents, left school at 15 to work on the family farm. But he soon found himself embroiled in farmer politics which led directly to parliament. He proved himself a loyal Muldoon minister in three terms, a relationship which hampered and delayed his election to party leader, and made all the surprising his conversion to the non-intervention, free market philosophies he now defends.

A Roman Catholic with nine children, he has vigorously defended the welfare cuts on the poor against savage criticism from his church's leader, Cardinal Tom Williams. He has also had to cope with outspoken criticism from a group of back-benchers trying to reverse policies, including trenchant attacks from Sir Robert Muldoon, his former leader. A seasoned and tough politician, he seems unconcerned by a worrying slide in the opinion polls, but does get rattled by those who question his intellectual capacity.

He is surrounded by seemingly loyal associates, of whom only Ms Richardson and Mr Winston Peters, the dissident Maori Affairs minister, apparently aspire to his job.

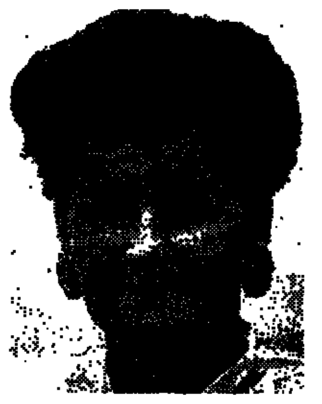
In breaking so many promises, Mr Bolger runs serious risks, but presumably is counting on the continued unpopularity and lack of public confidence in the previous Labour government, which also broke election promises. He is obviously hoping that time, and an improvement in the nation's economic fortunes will reverse the present trend in the polls.

Mr Bolger, or Captain Spud as he is known, is a politician of considerable resources and remains easy to underestimate. He has the common touch. But his principal weakness, and that of much of the National party, is that the leadership comes from farming or provincial backgrounds, and can appear very much out-of-step with the urban electorates, particularly in Auckland, which have been hardest hit by the unrelenting rise in unemployment that the intensification of the reform package is producing.

**Terry Hall**

**Profile:** RUTH RICHARDSON

# A woman who gets her way



Ruth Richardson: enemies on her own back benches

RUTH RICHARDSON is tough, uncompromising and single-minded, characteristics which have made her many enemies in the hurly-burly of New Zealand politics.

The finance minister's enemies, many of whom are to be found in the back benches of the ruling National Party, have long been forecasting her downfall. Some cabinet ministers also fret about her tough policies, with Mr Winston Peters, the minister of Maori affairs, outspokenly critical.

For the present, she seems immune to the simmering discontent. She is safely and securely in the ruling clique headed by Mr Jim Bolger, the prime minister, who defends her policies to the letter. While Mr Bolger survives, so will Ms Richardson. With the three-year electoral cycle rapidly ticking away, the prospects for a successful serious challenge seem increasingly remote.

Ms Richardson decided to be a politician at 15, and got a law degree, by hard application, believing it would be useful. She says she is not "intellectually bright", and has "always worked 100 per cent hard" to achieve her goals. Mr Bolger calls her "The Hungry Enzyme," a reference to a television detergent commercial. It is a nickname she is said to accept.

She comes from a conservative farming family, and has joked about how socialists were never allowed under the family roof. From the start she held right-wing views, apart from on abortion and women's issues, which led her to renounce the Roman Catholic faith.

To further her political career after university, she became a legal officer with Federated Farmers, and worked in the justice department, quickly getting noticed by the then Labour government of 1972-75. She entered parliament in 1978 and became disenchanted with the increasingly autocratic and interventionist rule of her party leader, Sir Robert Muldoon, voting with the opposition against his economic policies, a rare thing at the time. The pair remain bitter enemies, Sir Robert, who is now a back-bencher himself, describes Ms Richardson as a "funny little woman": she is barely 5ft 5in tall, although the former prime minister himself is not a great deal taller.

**She is called "The Hungry Enzyme" by the Prime Minister and is said to accept the nickname**

Following the defeat of the National government in 1984, and the unexpected spate of New Right economic reforms brought in by the Labour government of Mr David Lange and (now Sir) Mr Roger Douglas, Ms Richardson courted unpopularity in her party by saying openly at almost every chance she got that the policies were correct. Now the wheel has turned: Sir Roger Douglas, who has now left Parliament, has publicly endorsed Ms Richardson's programme and by implication the National party reforms. It is perceived that many of these, such as labour market deregulation would have been impossible for a Labour party because of its union and social concerns.

**Sir Robert describes her as "a funny little woman", though the ex-prime minister is not a great deal taller**

Ms Richardson is stamping her views on a nation. She has the support of much of the banking and financial world, if not that of university and many academic economists who argue that she is making worse the New Zealand recession by cutting spending savagely. She has no time for her critics. In part, she is getting her way by convincing her colleagues that in New Zealand's present state she must keep her promises to international bankers towards a balanced budget, less government and a reduction in social welfare costs, as well as a continuation of the drive to cut inflation.

**Terry Hall**

## THE NEW ZEALAND OPPORTUNITY

I am pleased to contribute to this supplement on New Zealand. Our links with Britain and with Europe go back a long way and are amongst the most important we have anywhere. The relationship is a complex one. The shared family links, political and legal institutions, values and traditions will ensure that it remains important. The commercial links are equally substantial. The European Community is New Zealand's largest trading partner with two way trade roughly in balance and Europe continues to be a primary source for investment capital, immigration, technology, tourism and services.

**EUROPE'S CHANGING ARCHITECTURE**

When my Government assumed office last year, we recognised the importance of Europe and the implications of the profound changes that are taking place. The old division of Europe, in one sense, provided some certainty. None of us liked it, but we had become used to a situation where political and economic life was separated along east-west lines. The new political and economic re-alignment taking place right across Europe will impact on global security and the international economy. The Central and East Europeans need all the help they can get as they make the journey. That is why New Zealand is assisting in the process as a member of the Group of Twenty Four countries and as a member of the European Bank for Reconstruction and Development.

The other evolution in Europe, no less fundamental, is the process of integration in and around the European Community. This, in a sense, is Europe's quiet revolution. We welcome it, we support it and we recognise that the forces driving this integration have real momentum.

**THE NEED TO STAY OUTWARD LOOKING**

For countries outside Europe, the worry has been that Europe would embrace a "fortress" mentality. I believe that the evidence so far with the creation of the single market, has shown that not to be the case. The changes to the political architecture in Europe have been of such moment that it is inevitable they will preoccupy Governments. We would not want Europe to become inward looking in this process however, Europe's interests are global and this interdependence will continue to grow with time. Political and economic power carries with it international responsibilities and we want to see Europe continue to take a lead here.

**NEW ZEALAND AND EUROPE**

My government wants to work more closely with European Governments. We welcome European involvement in our region and we want to see this continue. We also want Europe to become more involved in New Zealand's future. New Zealand is very much part of the European family: we play our part in collective security efforts, as does Europe, and we shall continue to do so.

**THE NEW ZEALAND OPPORTUNITY**

The need to work more closely together must, of course, be a two way process. We are clear about the opportunities Europe presents for us, but I am not so sure whether the opportunities New Zealand now offers are well understood in Europe. The reform and restructuring of our economy has been as fundamental as it has been comprehensive. Financial markets have been freed, tariffs have been cut, internal protection and subsidies removed, and state-owned enterprises privatised. More recently, my Government has deregulated the labour market and is determined to reduce public expenditures including the welfare budget. In 1989 we completed a single market in services with Australia which is one of the most comprehensive in scope anywhere. Last year, we completed a single market in trade in goods with Australia. We are looking at ways to further harmonise this business environment.

The result has been to transform New Zealand from a rather insular economy into one of the most open and market-led anywhere. There are few other countries that have restructured in such a fundamental way. Here lies the opportunity for Europe.

The specific message I wish to convey to your readers is that we want to see more European business and investment in New Zealand. European investment in New Zealand goes back to the beginnings of our economy and makes up around one third of all foreign investment. It has been instrumental in the growth and success of our internationally competitive agriculture, food processing, manufacturing and resource based industries. It has also been significant in the development of transport (especially shipping), banking and insurance. European involvement in New Zealand has been complemented more recently with new investment from our business partners in Asia.

One of the aims in reforming our economy was to make it easier to do business in New Zealand. That has been achieved. We have no restrictions on the movement of funds. There are no controls over remitting profits or capital from New Zealand. We welcome competition and competitiveness. Our approval mechanisms have been substantially relaxed, making our regulatory environment one of the least cumbersome anywhere.

**INVESTMENT-FRIENDLY**

Our goal has been to ensure the lowest possible tax compliance costs, to remove impediments to business and to reform our infrastructures. We are looking at a new business immigration policy which will make it more attractive for European involvement. Investors demand consistency and transparency. We can deliver on this too. The Government is committed to maintaining an open and internationally competitive economy. We are not offering gimmicks or incentives, but an investment-friendly environment characterised by consistency, stability, low costs and low inflation.

**LIBERALISING INTERNATIONAL TRADE**

The process of economic and trade deregulation has to be a collective effort. We moved, unilaterally, because our economy was stifled by protectionism. But, everyone stands to benefit from a freeing up of international trade. This is why the GATT Uruguay Round is so crucial. Failure to reach agreement soon will be nothing short of disastrous for everyone, and particularly for Europe which is such a significant player in international trade.

This is a multilateral negotiation. It involves issues of great significance to European business. We can no longer tolerate, for example, a world trade regime that does not deal adequately with the growing world trade in services and protection of intellectual property. On some of these issues NZ is working closely with Community negotiators to achieve similar objectives. The relationship here is not an adversarial one.

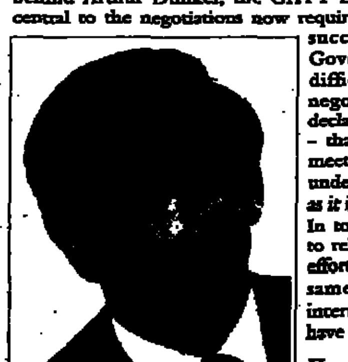
This, however cannot obscure the central role agriculture plays in these negotiations. We can debate the role of agriculture in world trade flows, the political difficulties involved in integrating agriculture into the GATT system and the pace of likely change. But after four years of negotiation we can no longer afford any confusion on the basic issue: we can not conclude the Uruguay Round without a substantial result on agriculture.

I was disappointed, though hardly surprised, at the failure of the Brussels GATT meeting last December. It did establish however that a cosmetic result on agriculture is insufficient.

New Zealand, along with all the countries of the Cairns Group, has major difficulties with the policies of a number of participants in these negotiations, such as those of Japan, Korea and Switzerland. But the negotiating position of the Community is of prime importance simply because of the overwhelming size of the Community in world trade. Beyond the Member States themselves, there are few, if any, countries that understand Community agricultural politics better than New Zealand. Essentially, New Zealand has been involved in a continuous negotiation with the Community for two decades. But if we have a good appreciation of the political tolerances within Europe, we are also aware that the GATT agriculture negotiations are not a diplomatic game. There is enormous frustration in Australia and New Zealand, in ASEAN countries, in Latin and Central America and in most parts of North America over the state of world agricultural markets and the unfairness of the present system. I have no problem with the call to political realism, but this is a two way street.

**CONCLUDING THE GATT ROUND**

The GATT negotiations are all about solving fundamental economic problems which continually generate political tensions. What we now need, I maintain is old fashioned negotiations based on a clear perception that the costs of failure are far too high. We are pleased that OECD Ministers in Paris recently agreed that the Uruguay Round has the highest priority on the international agenda. That recommitment of political will is of considerable importance. Most of all, we need the chemistry of a real negotiation to work. New Zealand has done what it can in formal and informal contacts to bring that about. We are right behind Arthur Dunkel, the GATT Director-General, who will be central to the negotiations now required. However, for his efforts to succeed, he must know that Governments are prepared to take difficult decisions. This is not a negotiation where we can simply declare success while avoiding them – that is the lesson of the Brussels meeting. I only hope that it is well understood in all European capitals as it is in my own.



In today's world, we are all coming to rely more and more on collective efforts for our security. We need the same kind of collective push in international trade. The arguments have never been more compelling.

*Hon. Philip Burdon*
*Minister for Trade Negotiations*
*Wellington*

هكذا من الأصل

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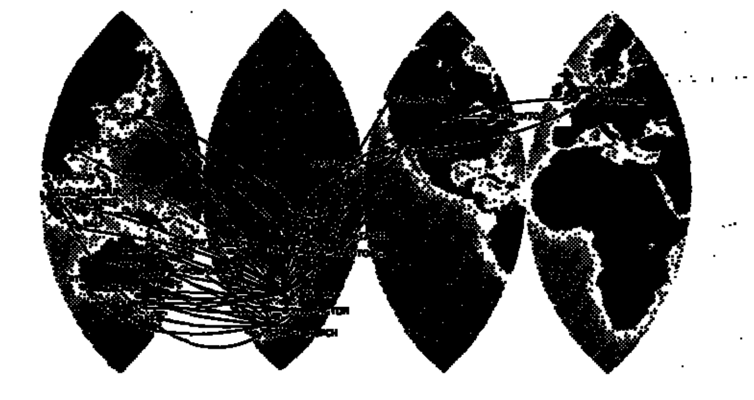

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EMPLOYMENT

# Welfare state fears

FOR HALF a decade, New Zealanders endured rapid change as a Labour government deregulated almost every area of economic life. Only two areas remained relatively untouched: the industrial relations system which made trade union membership compulsory, and the welfare state, widely regarded as one of the most generous in the world.

Now all that is changing. Since its election in October, the National party government has extended deregulation to the workforce by abolishing compulsory unionism, and has made deep cuts in social security. More cuts will follow in the budget later this month.

The reforms have outraged Labour, which claims the government is trying to force down workers' wages and dismantle the welfare state built by both parties since the 1930s. Cabinet ministers face noisy protests wherever they go from demonstrators who sometimes burn effigies of Mr Bolger, the prime minister, and Ms Richardson, the finance minister.

Yet senior National ministers offer a twin justification for the reforms: the need to balance a budget heading for a NZ$5bn deficit by 1992-93, and the need to correct the harmful effects on wealth creation of decades of rigid employment protection and gold-plated social welfare.

The first step was an emergency economic package in December designed to correct a forecast NZ$1.2bn budget overshoot in the current year. Unemployment and sickness benefits and that paid to single parents were cut by an average NZ$26 a week, and the universal pension was frozen until April 1992.

At the same time, the government introduced tougher qualifications for some benefits, warning that charges for education and health services would follow in the budget.

In May, the Employment Contracts Act took effect, wiping out six decades in which most workers were forced to belong to trade unions which had sole negotiating rights, backed up by labour courts and a system of national wage awards which extended union pay rates to the non-unionised sector.

The act makes trade union membership voluntary, provides for individual contract negotiations, and allows individuals or groups of workers to appoint an outside agent to negotiate on their behalf.

So far, it has had little direct effect because existing union contracts remain in force until they expire. However, employers' organisations say the act was a strong incentive to unions to settle for wage increases in the 0-2 per cent range in the last pay round.

In the longer term, Mr Bill Birch, employment minister, says the act will add strength to the improvement in New Zealand's poor productivity record since business began to shed labour under the pressures of recession in 1988.

In a recovering economy, only a more flexible labour market will prevent a return to the problems of the pre-1988 period, when New Zealand was one of only two OECD countries in which labour productivity was falling, he says.

The act was introduced without significant industrial disruption, but opponents say that is a reflection of recession, which will be reversed when the economy recovers.

"The act in effect withdraws recognition of trade unions and gives a licence to employers to do virtually whatever they like," says Mr Ken Douglas, head of the NZ Council of Trade Unions. He queries the government's rhetoric about productivity: "It is really about the extreme right-wing agenda for an attack on the rights of trade unions."

**'It is not so much a shake-up of the welfare state as a redefinition'**

For the moment, attention has switched to the budget, in which the government is expected to announce further cuts in welfare payments. The options include a range of "user pays" charges for health and education, and a cut in pension payments or a rise in the eligibility age.

All will be unpopular with some New Zealanders, many of whom regard the welfare state as one of the country's proudest achievements. But ministers deny they are out to destroy the system, which has its roots in the payment of old age pensions in 1898.

They argue that welfare must bear its share of budget cuts because benefits now soak up 32 per cent of the government's budget, in addition to 14 per cent spent on education and 12 per cent on health. The next biggest item is the 12 per cent of revenue for the overseas debt which has financed the system in recent years.

The cost has risen significantly in the past two decades – from 5.2 per cent of GDP in 1972 to about 14 per cent now. Most of the increase followed a 1972 Royal Commission which recommended that welfare beneficiaries "should be able to enjoy a standard of living much like that of the rest of the community."

Dr Michael Cullen, Labour's social welfare spokesman, says the government should cut defence spending to balance its budget, and claims the National party is "shrinking the welfare state to the point where its capacity to continue is in doubt."

The allegation is rejected by Mrs Jenny Shipley, social welfare minister, who says New Zealand can no longer afford a "Rolls-Royce welfare state," and claims that even the reduced benefit levels are still above those paid in many comparable countries.

Mrs Shipley says the thrust of the budget reforms will be towards targeting benefits more closely on those who need them, and reducing support for the young and the middle classes who do not.

"It is not so much a shake-up as a redefinition," she says. "New Zealand is going through a process of redefining its welfare state. Quite frankly, it is a rescue package because if we do nothing the welfare state will pull the New Zealand economy over."

Nevertheless, New Zealand remains deeply divided about both welfare and industrial relations. Mr Roger Kerr, director of the Business Round Table, fears public anger will limit the government's determination in the budget: "I think they will bite the bullet, but it is a question of whether they will bite right through, or get left with lots of pellets in their mouths," he says.

But for opposition leaders, and trade unionists, the radical reform of labour law and welfare amounts to a guarantee that the government will not survive. "It is living with the fear that we will unleash the tigers, and we will," says Mr Douglas. "We are building a coalition of interest groups which will bring an end to this crazy right-wing experiment."

**Kevin Brown**

The economy may at last be responding to shock treatment, writes **Kevin Brown**

# Signs that the lean years are over

AFTER SIX years in or near recession, the New Zealand economy is finally showing signs of responding to the shock treatment administered by successive governments.

Since 1984, when Sir Roger Douglas, Labour's incoming finance minister, launched the liberalisation programme which became known as Rogernomics, New Zealand has averaged just 1.1 per cent growth in real GDP.

The record has angered opponents of liberalisation and disappointed its supporters, including the Organisation for Economic Co-operation and Development, which says Rogernomics is "the most comprehensive microeconomic reform programme undertaken by any OECD country in recent years."

The OECD concludes in its latest survey of New Zealand that liberalisation has been slow to work because of a mix of factors, including the extreme rigidity of the pre-Douglas economy, Labour's inability to cut public spending and uncertainty caused by the party's internal wrangling.

Nevertheless, Labour created the underlying conditions for recovery, and the incoming National party government, which took office in October, is continuing and extending its broad strategy.

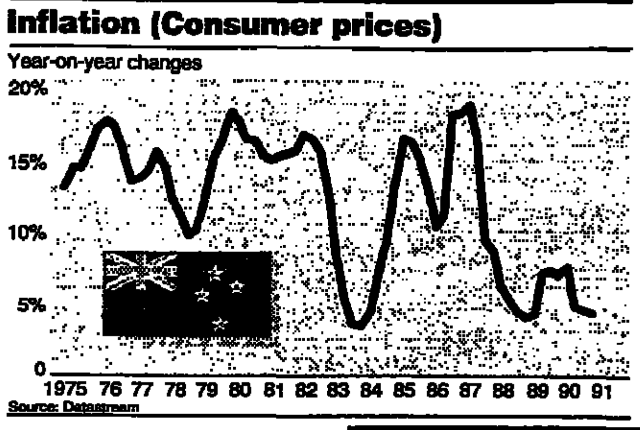
The new government's first action was an economic package, released in December, which cut welfare benefits by up to 25 per cent. The package will provide recurrent budget savings of NZ1.275bn in a full year, equivalent to around 1 per cent of GDP.

The cuts were painful for many recipients of benefits, but they succeeded in reassuring the markets that the government was serious about achieving its target of a balanced budget and a reduction in the rate of inflation from the current 4.5 per cent to 0-2 per cent by the end of 1993.

Almost no-one in New Zealand now doubts that the government will achieve its inflation target. The Reserve Bank forecasts that it will be reached by the end of this year, and optimists like Mr Robin Clements, chief economist at United Bank, think the outcome could be as low as 1 per cent.

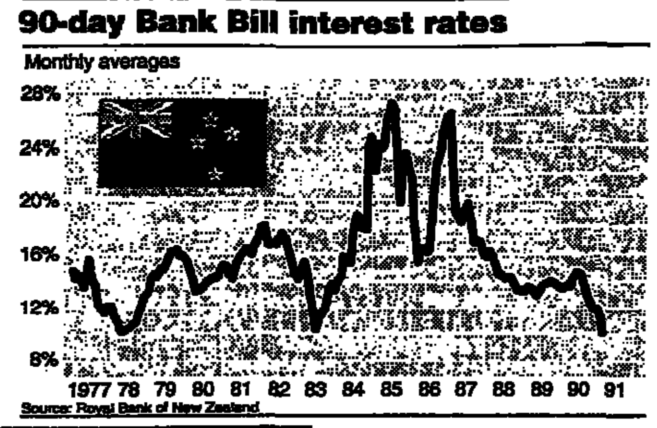
The result has been a removal of the constraints on confidence which appeared to be holding New Zealand back. Short-term interest rates have fallen more than four points since the turn of the year and are set to fall further, business confidence has rebounded strongly, and the local share market is up substantially.

**Inflation (Consumer prices)**




Source: Datastream

**90-day Bank Bill interest rates**




Source: Royal Bank of New Zealand

Real investment in plant and machinery is at an historic peak of more than 7 per cent of GDP, and labour productivity is improving by around 5 per cent a year, says the OECD.

Overseas confidence is also increasing rapidly, reflected in growing interest in the property market, and investments in New Zealand companies, such as a joint venture by an arm of the Singapore government with Brierley Investments.

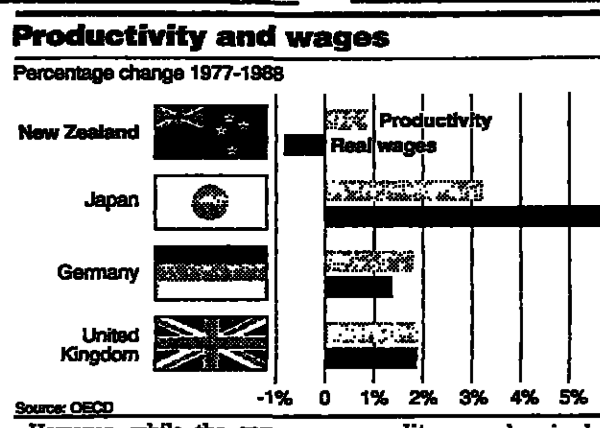
Exports are rising by about 6 per cent a year, raising the prospect of a sustained reduction in the current account deficit, running at around 3 per cent of GDP, and stabilisation of the foreign debt, 70.7 per cent of GDP.

More importantly, the interest service to export income ratio should fall from its current level of 20.4 per cent if strong export growth is maintained, as most commentators are forecasting.

The brighter overall outlook has led many observers to conclude that the worst is over. Thus Mr Peter Keenan, economist at CS First Boston Pacific, says the prospects for New Zealand are "more encouraging than for several years".

Dr Arthur Grimes, chief economist at the Reserve Bank of New Zealand, says the country is on the verge of a sustainable export-led recovery which makes the outlook "brighter than at any time in the past two and half decades".

**Productivity and wages**




Source: OECD

However, while the government's tight monetary policy and tough fiscal stance has prompted a structural shift into exports, the cost has been a domestic recession which looks like continuing for some time.

The recession was deepened by the December economic package, which reduced domestic demand just as it was beginning to recover. Growth in GDP is likely to remain muted for the next two years, and unemployment, currently 10 per cent, is expected to rise further.

The pain being inflicted on many voters is bringing strong political pressure to bear on the government, triggering concern that the government will give in to calls from the opposition and some sections of business for reflation to create jobs.

"We have seen the light at the end of the tunnel before, in 1987-88 and again in 1989, when the (Labour) government threw in the towel on cutting expenditure and raised the goods and services tax instead to balance the budget," says Mr Roger Kerr, director of the NZ Business Round Table.

"The next couple of years are going to be very tough, especially in the domestic economy, and that is exactly how it should be. If we are going to make real progress the last thing we want is a recovery in the domestic sector," he says.

Reflation is firmly ruled out by Mr Jim Bolger, the prime minister, who says New Zealand has tried all the soft options before. But the key test of the government's willingness to stand firm will be the budget due at the end of this month, when the markets will be looking for evidence of sustainable cuts in government spending.

Ms Ruth Richardson, the finance minister, says the cabinet always knew there would be public opposition to cuts in spending to balance the budget.

"We went into this with our eyes open," she says. "These problems have built up over some decades, and we are not going to deal with them in days. But we need to demonstrate that we have a set of decisions that will deliver sustained savings in public spending over the long term."

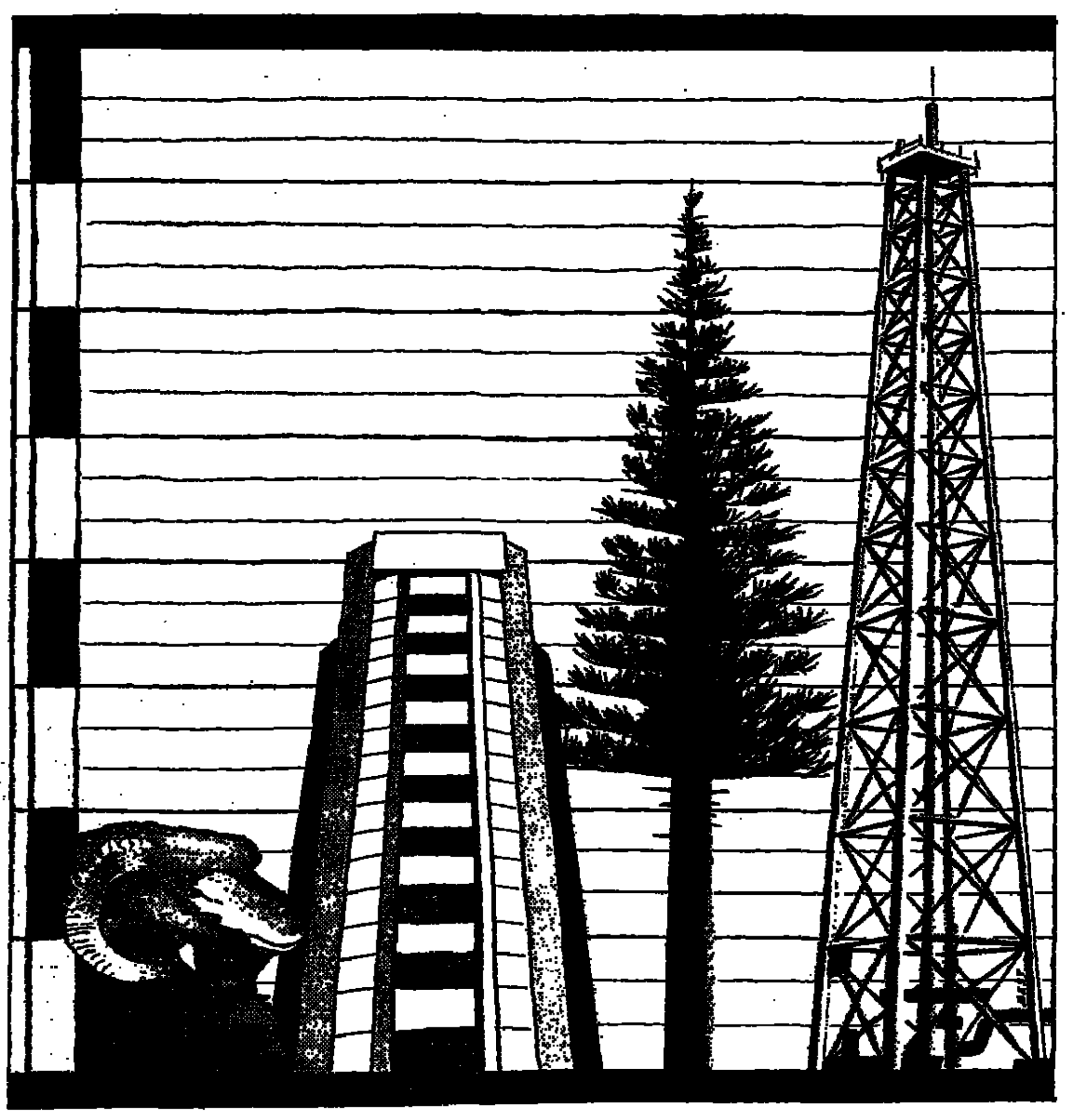
She adds: "We are not facing an election tomorrow. We have three years. We intend to pace ourselves and use that three years. In any event, we are seeing an emerging recovery which is, in a political sense, positive for us.

"We have seen an unprecedented fall in interest rates, and it is not as if I am saying to the country 'batten down the hatches, it is going to be as bad as it has always been'.

"We think the dividend is clear to New Zealanders. They can see the linkage between the responsible approach we are pursuing and the results it is providing."

Pressure for some easing of policy to stimulate the domestic economy is not limited to political opponents of the government. For example, Mr Hugh Fletcher, chief executive of Fletcher Challenge, New Zealand's biggest company, has serious doubts about the wisdom of reducing spending power in the economy during a recession.

However, the government shows no sign of backing down. "The single most important thing we have demonstrated is consistency of purpose. We have been extremely careful about building up credibility, and that is not going to change," says Ms Richardson.

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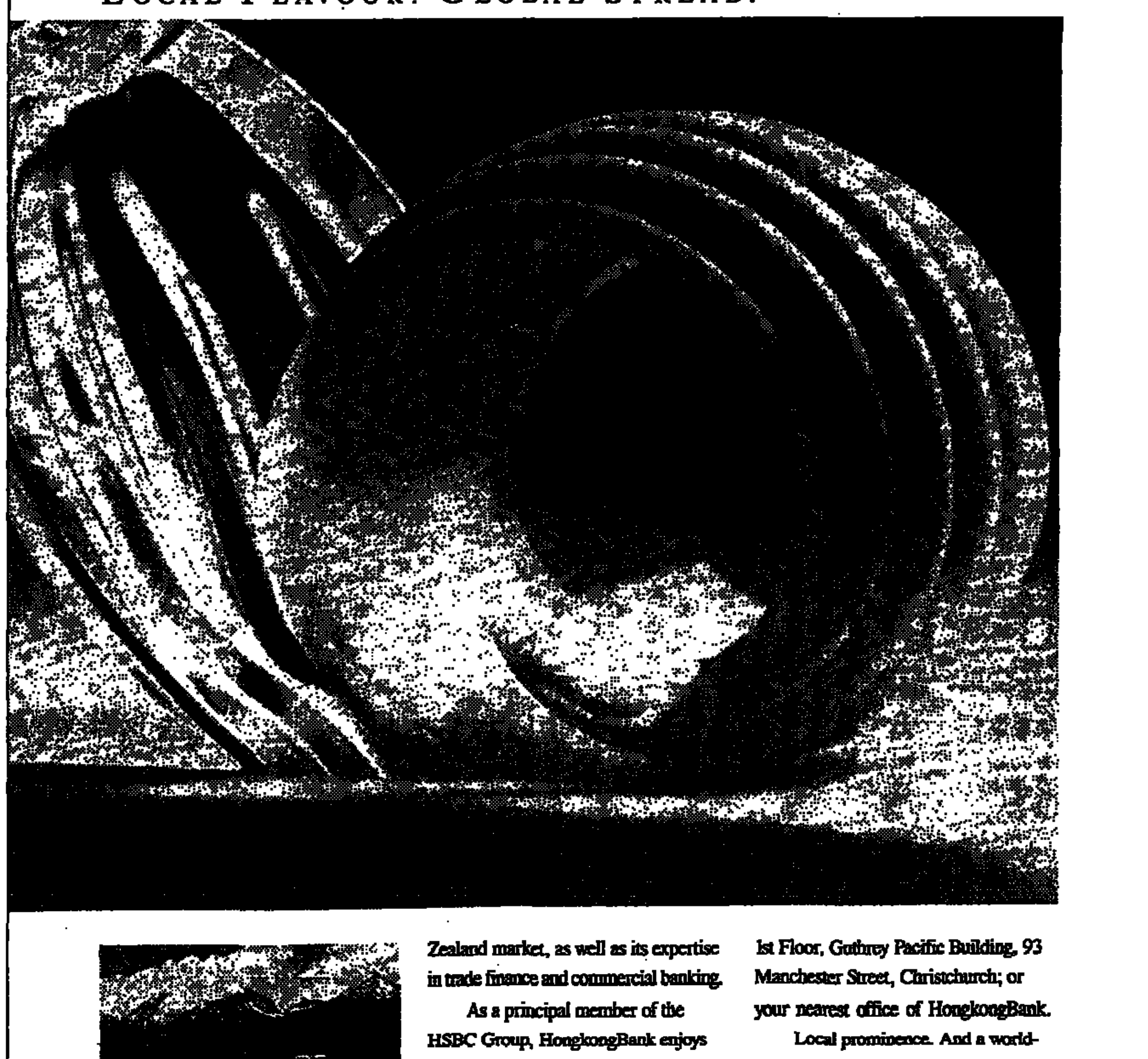

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**AGRICULTURE:** belt-tightening amid bleak short-term prospects, but could better times lie ahead?

# Farmers look to Gatt for world trade boost

THERE are 46,000 sheep and dairy farmers in New Zealand – one for every 71 people. When all 80,000 farms are counted, one in 40 New Zealanders is a farmer while thousands more depend on agriculture for their livelihood.

The meat industry, for example, employs 90,000 people in processing plants, farm-related operations as well as on farms. The bleak state of the NZ agriculture sector not only directly affects their standard of living and employment but also has dire consequences for NZ's economy. Last season wool exports earned NZ$1.3bn. At the end of March this year, with only four months of the season remaining, exports were only NZ$795m. The Wool Board expects a drop of a third in the season's receipts.

Dairy farmers are again tightening their belts in a period of austerity. This season they received NZ$3.70 per kilogram for milk protein. Last season it was NZ$5.80. Many farmers are heavily in debt and, as a result, farm service industries have been badly affected.

Those responsible for marketing NZ's lamb and beef see little hope of any real improvement for five years.

According to the government, the country's economic recovery must be export-led. In fact NZ's main exports, including forestry, will remain agricultural products for many years. To increase the volume of these significantly is virtually impossible while access to international markets, as well as the price received for dairy and meat exports, is obstructed by political barriers and by dumping of butter and other dairy products at below production costs by other world producers.

The future for NZ agriculture and its farmers will be determined by the General Agreement on Tariffs and Trade negotiations. Without some relaxation of world trade restrictions on agricultural products NZ's immediate future looks bleak.

While NZ dairy industry leaders welcome the recent 2 per cent cut in the EC Common Agricultural Price as a sign that Brussels recognises that the EC system is not sustainable, it believes the cut should be 5 per cent. NZ farm leaders claim European farmers would not suffer financially because a reduction in dumping and orderly marketing would increase world dairy prices.

Much of the EC production is dumped at only half or even one-third of production cost. NZ farmers with no subsidies or government assistance receive only a quarter of the price paid to EC farmers for their milk.

According to the NZ dairy industry, the EC's politically managed agricultural system, which determines how much the farmer shall produce and the price he receives, is worse than the former rigidly controlled agricultural systems in the Soviet Union and eastern Europe.

NZ dairy production this year will be lower than it was in 1985. The dairy board's international organisation constantly seeks out niche markets. One successful example is the new aerosol mousse dessert which sells in the UK under the Anchor brand.

**New Zealand's largest lamb market is Britain, while 85 per cent of the beef goes to north America**

The board hopes this year to regain the NZ$100m butter, cheese, milk powder and butter oil markets in Kuwait and Iraq, lost through the Gulf war.

New Zealand provides a sixth of all the world's meat. It is the biggest exporter of lamb – 288,000 tonnes – but that is a 15 per cent drop in three years. Beef exports of 257,000 tonnes, 85 per cent of which go to north America, have fallen 4 per cent in three years.

The average meat farmworker produces 27 tonnes a year. A chain of 60 highly efficient processing plants, dotted around the country, process the 40m animals which earn NZ$3bn in exports each year.

Although prices, particularly for lamb, increased significantly last season, the Meat Board has warned of problems this season. Of particular concern is the growing lamb stockpile in the EC and the large stock of beef from the slaughter of east Germany's dairy herds.

Britain is by far the largest market for NZ lamb but recently there has been increased competition from domestic lamb since the mad cow scare reduced UK exports. But changing trading and shopping patterns have seen London's Smithfield Market lose much of its former importance to New Zealand, especially in setting prices. These are now largely determined by the buying patterns of five large retailers.

Long-term prospects for NZ meat are more encouraging. The opening of the Japanese beef market would expand the world's red meat trade by 500,000 tonnes. Population increases in sheep-eating countries in the Middle East, the resumed buying by Iran which will take 45,000 tonnes of lamb in the next year and a move towards fat-free beef in the US hamburger trade are all plus factors for NZ meat exports.

In the wool industry there is widespread uncertainty about the new season opening this month. Prices are expected to fluctuate widely as a volatile market reacts to short-term temporary factors.

Like Australia, the NZ wool industry is entirely dependent on the markets. It does not receive government support and the Wool Board will no longer be operating a price-smoothing scheme.

When the board ceased its market support buying in February it had a stockpile of 648,000 bales. It has sold a substantial number of these without affecting prices and is confident it will quit the stockpile by judicious marketing much sooner than the seven years the Australian Wool Board says it needs to sell its large stockpile.

In spite of the uncertainty, there is some optimism in the wool industry. China and the Soviet Union have resumed buying, though the latter's foreign exchange problems could affect the quantity it buys. Even if NZ prices have risen since February, they are still attractive to Chinese buyers.

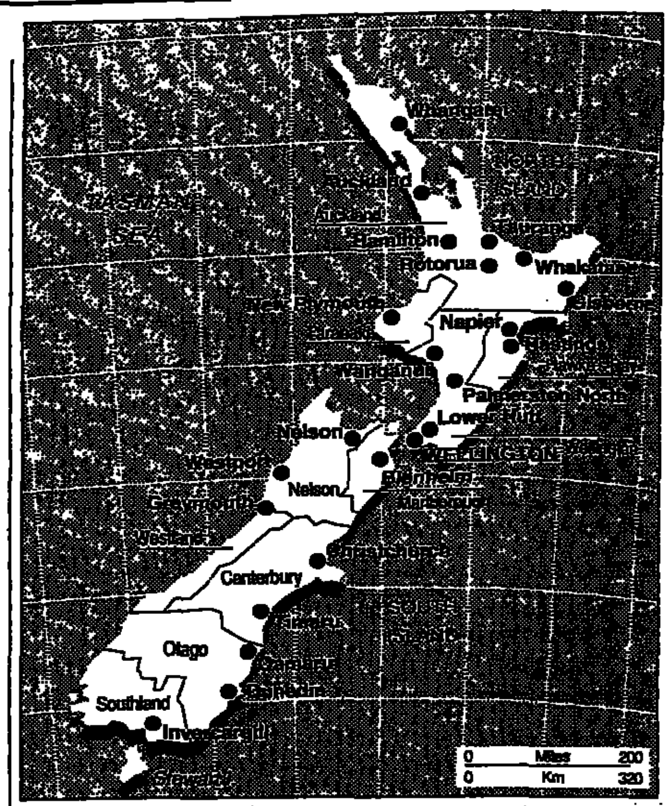
After the board withdrew in February, prices fell to NZ$3.47 a kilogram. Early last month they had climbed back to NZ$4.49. NZ prices have responded more positively since the February turmoil than those in Australia or South Africa.

Japan became NZ's largest single customer in 1990-91 and NZ expects continued firm buying from Japan in the year ahead. Western Europe has also increased its purchases.

Wool prices are now competitive with synthetic fibres, which should increase demand for NZ's coarse types of wool, used in carpet making.

The 1991-92 season will be the first for many years in which the NZ wool grower has not been cushioned against market forces to some degree by the Wool Board. Now the industry desperately needs stability and increased confidence in the market. In a free-for-all selling system the selling and buying decisions of growers and brokers will be even more crucial.

**Dal Hayward**




## KEY FACTS

Area ........................ 268,112 sq km
Population ........................ 3.38-million (1990 estimate)
Head of State ............ Queen Elizabeth II, represented by the ........................ Governor-General (Dame Catherine Tizard)
Currency ........................ New Zealand dollar (NZ$)
Average Exchange Rate ........................ (1989) $1 = NZ$1.6708 ........................ (1990) $1 = NZ$1.6750

| ECONOMY | 1989 | 1990 |
|---|---|---|
| Total GDP ($bn) * | 38.2 | 41.7 |
| Real GDP growth (%) * | 2.6 | -0.1 |
| GDP per capita ($) * | 11,365 | 12,329 |
| *Consumer prices (% change pa)* | 5.7 | 6.1 |
| Ind. wage rates (% change pa) | 4.0 | 4.3 |
| Unemployment (% of lab force) | 7.4 | 7.3 |
| Public external debt ($bn) | 14.0 | 16.1 |
| Reserves minus gold ($bn) | 3.0 | 4.1 |
| Discount rate (% pa,year end) | 15.0 | 13.2 |
| Govt Bond Yield (% pa,avg) | 12.8 | 12.4 |
| FT-A index (% change over year). | +13.1 | -39.1 |
| *Current Account Balance ($bn)* | -2.1 | -2.6 |
| Exports ($bn) | 8.8 | 9.5 |
| Imports ($bn) | 8.0 | 9.4 |
| Trade Balance ($bn) | 0.8 | 0.1 |
| Main Trading Partners | | |
| (1989, % by value) | Exports | Imports |
| Australia | 18.9 | 20.7 |
| Japan | 17.3 | 18.4 |
| USA | 13.2 | 16.8 |
| EC | 16.5 | 19.4 |

*GDP figures are for fiscal years (Apr-Mar), so here refer to 1988-89 and 1989/90

*Sources: IMF, Datastream, Economist Intelligence Unit.*

Close links, but no takeover

# The Australian connection

IN 1900 New Zealand rejected the opportunity to join the Federation of States, when the Commonwealth of Australia came into existence. Today some believe this decision should be reversed, with New Zealand becoming Australia's sixth state.

Those who suggest this usually originate from other countries, such as Britain, where they have regarded Australia and New Zealand as virtually the same country. They do not appreciate the differences in psyche and both people's strong spirit of independence and self-reliance, as well as the ego of politicians.

There is no official desire in either country for amalgamation and any suggestion that New Zealand should merge its sovereignty would be overwhelmingly rejected by both the New Zealand and Australian public.

A former New Zealand prime minister once asked: "What New Zealand PM would voluntarily downgrade his status to become one of half a dozen Australian premiers competing for the ear and largesse of a distant federal government? And why would any Australian prime minister increase his headaches by adding New Zealand to the demands of competing states?"

The two countries have a special relationship. Citizens of each move freely into the other. They have a common bond forged in the death and heroism of Gallipoli in 1916, when the Anzac legend and spirit was born. Both are passionate about sport, individual freedom and the rights of the ordinary man to "a fair go".

Although both countries co-operate closely in many areas, there are also many differences in outlook, culture and character. Perhaps one of the strongest examples of co-operation is between the maritime unions, which prevent foreign ships from operating on the trans-Tasman routes between New Zealand and Australia. The unions' accord restricts these services to New Zealand or Australian crewed vessels. Even though exporters protest vigorously because the deal makes the Tasman Ocean one of the most costly sealanes in the world, local shipowners accept the accord as it blocks competition.

During the coming year, the two governments will act together to break the seamen's agreement. Mr Rob Storey, New Zealand transport minister, is determined to cut freight and shipping costs. So is the Australian government. New laws will force open the sea route to foreign ships.

There will be improved defence co-operation in the coming months. New Zealand's anti-nuclear policy, which upset the US and brought an end to the three-country Anzus defence pact, created problems for Mr Hawke's Australian government, but Australia continued a defence relationship with New Zealand. The Bolger government is trying to improve relations with the US, but Australia would not want to see the US make concessions deferring to New Zealand's nuclear-free policy. A few weeks ago, however, Australia's defence minister suggested Australian pilots could train on New Zealand's new jet trainers.

Officials in both countries are preparing a review of the New Zealand-Australian free trade agreement – the closer economic relationship. This is already the most successful free trade agreement in the western world. There are no barriers or border restrictions on trade or goods between the two countries.

Since 1983, total trans-Tasman trade has grown from NZ$2.5bn to NZ$6bn. Australia is New Zealand's largest single customer, taking 20 per cent of exports, while New Zealand is Australia's fourth largest trading partner. New Zealand buys 20 per cent of its imports from Australia.

Two-way investment has increased dramatically – particularly Australian investment in New Zealand because of its deregulated financial market. But NZ accountants recently criticised the variations in the two tax regimes which they claimed "seriously frustrate" two-way investment.

Over the next year, the two governments will try to bringing compatibility to taxation, commercial law, the investment environment, the method of gathering statistics and bureaucratic regulations defining "rules of origin" which affect manufactured imports.

Many businessmen and organisations are pressing for a common currency and customs union, but there is no chance of either government supporting these. To do so would be a large political step involving sovereignty. Both countries would need the same monetary policies. Different trade patterns could create problems. If Australia had a mineral rush which lifted the value of its dollar while New Zealand's dollar was suffering from a world dairy slump, there would be problems for a currency union. And neither government wants the political and social implications.

**Dal Hayward**

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## MANAGEMENT: The Growing Business

# Second time around

**Charles Batchelor meets already successful entrepreneurs who find the lure of a full-blooded commercial proposition too strong to ignore**

Phil Race, starting his third new venture in 12 years: "You need to be back in the game with your peers" Colin Beere

When Philip Race put his signature to a £2m deal to raise start-up finance for a computer-based language teaching company in May, he was embarking on his third new business venture in the space of 12 years. When David Bruce opened the Hedgehog and Hogshead pub in Hove last July he was setting out to repeat the success of the Firkin chain of pubs which he had sold for £6.6m in 1988.

Compulsive business founders, also known as "second-time entrepreneurs" in the mould of Race and Bruce have become an increasingly common phenomenon in the wake of the enterprise revolution which occurred in the 1980s. An American study of college-educated entrepreneurs found that 63 per cent had created more than one business.

While some businessmen and women found family business dynasties and others retire on the profits of their first successful venture, many go on to found second and third business ventures.

Their motivations are varied. Some take a rational decision to sell out when their business is doing well but at the same time foresee growing competition and the need for substantial investments. Others stay with their business after they have sold it, but find working within a larger organisation irksome. A third group needs to find an "exit," by way of sale or flotation to produce the returns demanded by their financial backers.

"When they have sold out, many successful entrepreneurs will take time off to travel, spend more time with their families or get involved in civic affairs," says Rob Johnson, lecturer in entrepreneurial management at London Business School and co-founder of a successful consumer database business in the US. "But soon these people realise how much they miss the challenge and excitement of building a business," When Race sold his second business, Disctec, a three-year old compact disc manufacturing company for "several million pounds" in 1988, he took time off for his first Caribbean cruise. After Bruce, then aged 40, sold Bruce's Brewery to Midsummer Inns, he relaxed by walking across Scotland on the West Highland Way.

Race then became involved in raising funding for a property venture while he trawled accountants' lists of business prospects and databases of attractive propositions, none of which turned out to be for sale. Bruce devoted his energies and £80,000 of his own money to launching a charity to provide narrow boat trips on the Avon and Kennet Canal for handicapped people.

But both soon found that the lure of a full-blooded commercial proposition was too strong. "You need to be back in the game with your peers," says Race. "I have come to the conclusion that start-ups are what I do." Bruce describes it thus: "It is lonely sitting at home. It is not the same as having the buzz of being in business."

By conventional standards most second-time entrepreneurs have no financial motive for going back into business. The proceeds of selling the previous business are usually more than enough to live on. Philip Race, who is 45, admits though that one of his motives for starting up a third time round was a desire to maintain his standard of living.

But businessmen who sell out rarely walk away with all of the large sums which change hands. There may be other investors to pay off; bank borrowings to be repaid and the taxman to satisfy. Bruce's Brewery had £2m of borrowings when it was sold and it faced a capital gains tax bill of £1.6m, says David Bruce. A desire to claw back capital gains tax may be a motive for some entrepreneurs to go back into business quickly since rollover relief expires after three years, he says. Bruce.

Tax considerations apart, there may be strong financial reasons for *not* going into business again. First time around, many businessmen start with very limited funds and have relatively little to lose. If they come back a second or third time they may be investing considerable sums of their own money; their personal and family commitments may be greater; and they may be risking the reputations they have built up.

"Interactive Learning Teaching is the first venture I have gone into with my own capital and the institutions which are investing with me (3i and CINVen) have said I must put in a substantial sum," says Race. Bruce has put £500,000 of his own savings into Inn Securities and, with just two pubs (he has since opened a second in Southampton) is still some way from the four or five needed to achieve break-even.

But Bruce feels happier funding his own show second time around after routinely accepting gearing levels of 100 per cent or more with the Firkin pub chain. "I was uncomfortable with the high levels of gearing we had," he says. This time he plans to reduce his funding needs by taking leases on his pubs instead of buying freeholds.

But others who come back a second time are happy to bring in outside investors to achieve sufficient scale of business from the outset. Graham Sherren brought in a phalanx of large investors when he set up Centaur Communications, now a £40m turnover magazine publishing business, after leaving Trafalgar House in 1982. "I didn't want 100 per cent of a corner store," says Sherren, whose original business had become part of Trafalgar House. "I thought it was better to get the institutions in from the start with real money."

But before the second time entrepreneur can turn to the financiers, he must decide which business to go into. Race says he looked at a number of new technologies before deciding to stick with the sector he knew best - pre-recorded information. From vinyl records (his first venture) to compact discs and then to computer-based interactive language teaching was a logical progression. "I would advise people to focus their search," he says.

Bruce acknowledges a sense of *déja vu* in going into the pub business for a second time but says he will take a more strategic role this time round, leaving day to day management to his managing director, (and former finance director at Bruce's Brewery) Paul Adams. "I am trying to be a proper chairman this time," says Bruce. "I think there will be a lot of leisure companies which will crumble in this recession so I am establishing links with financial people so as to be able to pounce."

Bruce's decision to team up with a close associate from a former business venture reflects a common trend among second time entrepreneurs. Many who started their first business on their own (though Bruce was helped by his wife Louise) are keen to share the burden of subsequent ventures.

Tim Waterstone, founder of the Waterstone bookshop chain which has since been bought by W.H. Smith, says he would put together a team for any new business venture he launched. As well as continuing to run the chain he founded for Smiths, Waterstone has brought together a group of like-minded investors - business "angels" - to provide funds and hands-on management help to small business ventures. Waterstone's fellow angels are likely to be partners in any business venture he launches when his contract with Smiths ends in 19 months time.

Previous experience at running a successful business should be a good start for any subsequent ventures. The entrepreneur has honed his business skills and developed contacts and a reputation which should stand him in good stead. But previous experience is not a guarantee of future success, warn* two American researchers, Jennifer Star and William Bygrave.

The second-time entrepreneur may become convinced that his judgment is infallible, while outsiders may defer to his status and not ask difficult questions. Easier access to capital may make the entrepreneur less careful in his use of finance while the lessons learned from previous business experience may prove not to be applicable to subsequent ventures.

If the entrepreneur can avoid these traps, there is a good chance of repeating his previous success. But is the economy best served by entrepreneurs starting a string of new ventures or should they concentrate on building one business up to a substantial size? An acknowledged weakness of Britain's industrial structure is its lack of medium-sized businesses.

There is little doubt that the short term view taken of business by the venture capital industry requires many entrepreneurs to seek an early exit. Meanwhile the stock market's failure to provide a liquid market for smaller company stocks means that few entrepreneurs have the opportunity to take their company public. But at the same time, entrepreneurs rarely make good managers. They are happiest getting businesses started. The solution to the lack of mid-sized businesses does not lie in persuading the second-time entrepreneur that once is enough.

**The Second Time Around: The Outcomes, Assets and Liabilities of Prior Start-Up Experience. Babson College, Wellesley, MA 02157, USA.*

# How to maintain competitive edge

**By Peter Miller**

Small and medium-sized enterprises (SMEs) around the world still have a long way to go in implementing improvements in areas such as quality control, information management and technology transfer. Further efforts will be needed if the smaller firm is to maintain and sharpen its competitive edge, speakers told a seminar on SME strategies for the 1990s in Lisbon last week.

"Our aim is to close the gap between our good intentions and industrial realities," said Jean-Pierre Leteurtrois, deputy-director for quality standards at the French Ministry of Industry and External Trade.

He pointed to the cost to France of errors and defects in production lines, costs which he calculates as FFr2,000 (£200) per worker per month, or FFr300bn annually.

The seminar, organised by the Portuguese Industry and Energy Ministry, highlighted as a significant problem the difficulties small firms face in managing information. "SMEs have difficulty in creating, acquiring and evaluating information in view of their limited resources," said Marie-Florence Estimé, small business administrator in the Science, Technology and Industry Directorate within the Organisation for Economic Co-operation and Development, the seminar sponsor.

Difficulties turn on:

- Sources. Entrepreneurs may not see information controlled by, say, subcontractors. Or the data may be in patents to which the enterprise has no access.
- Goals. Information creators such as university researchers work to a different agenda from potential commercial users. The length of extended academic studies may be at odds with the immediate needs of industry. Market versus non-market cultures may clash. Mutual suspicion about the confidentiality of results and the division of rewards can be a stumbling block.
- Costs. These are human as well as financial. A small business may lack the staff to collaborate with institutions.

The information problem arises not just in acquiring sophisticated technical information but in gaining access to expertise and research which in theory should be readily available to small business. Portugal, for example, has more than 20 centres of excellence, including one for industrial design, which managers may call on.

However, a survey by Iapmei – the Institute for the Support of Small and Medium-sized Businesses and Investment – found that four-fifths of Portuguese managers in the sector had never consulted any of the centres.

According to Robert van der Horst of the Netherlands-based Economic Research Institute for Small and Medium-Sized Business, few Dutch entrepreneurs in the sector have heard of the Export Promotion and Information Agency of the Netherlands Ministry of Economic Affairs. Fewer still know of its SME desk.

Van der Horst also points to problems with the computerised trade request service run jointly with the Agriculture Ministry which is designed to match Dutch suppliers with foreign customers.

Canada has seized on the network idea in a climate of decreasing direct government subsidies to SMEs and, according to Ian Donald, a government official, a greater focus "on smaller initiatives driven at the grass roots".

The Entrepreneurship and Small Business Office in Ottawa, where Donald is acting director-general, has proposed the formation with industry of a computerised national business information network. This would link databases on business opportunities, including Canadian federal and provincial government tenders, and business intelligence (including economic and market reports).

Sweden has earmarked Kr15m (£1.4m) for "technology cheques", vouchers with which to pay up to *half the cost to* SMEs of specific undertakings to remedy information gaps. With a maximum individual value of Kr25,000 (£2,360), they can be used to buy external know-how, to fund education or purchase a study trip to a factory or trade fair. Six hundred smaller enterprises have made use of the cheques.


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Wanted Kuwaiti or Saudi partner knowledgeable about Fire Alarm Systems (Engr. & Sales) Contact:
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For further information
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or Fax: 09755 71249

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## BUSINESS SERVICES

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*Development and management advice and assistance, contact :*

Executive Hotels Ltd. C/O Ashmead Management Ltd. 26 Store Street, London WC1V 7BT. Tel 071-436 1561. Fax 580 9641

Your domiciliary agency in Germany. Business address, telex, telephone and telefax service. 300,– USD/per month. Pls contact TOP Office Service GmbH Essen, tel 49-201-788811, fax 49-201-788502.

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Turnover must be in excess of £5m. per annum.

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Commercial stationery distributors required in the counties of Kent, Surrey, Sussex and Hampshire. Turnover ideally £2 million plus.

Please contact M. B. Johnson
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Write Box H8930, Financial Times,
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**ENGINEERING COMPANY WANTED**

- £1-10m T/O
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Principals only reply to the Chairman's office-
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**THE BUSINESS SECTION ALSO APPEARS ON PAGE 6 TODAY**

## BUSINESSES FOR SALE

**Touche Ross**

### Galaxy Holiday Homes Limited
**(In Administrative Receivership)**

The Joint Administrative Receivers offer for sale the business and assets of the above company which is engaged in the manufacture of static caravans/holiday homes.

- "Galaxy" is a well respected and long established trading name.
- Turnover approximately £6.5 million per annum.
- Modern 53,000sq. ft. long leasehold factory, on a site of 6.75 acres, located near Preston, Lancashire.
- Stocks of raw materials and work in progress.
- Plant and machinery.
- Skilled labour force and management team.
- Customers include major UK dealers and Leisure Park operators.

For further information contact Ralph S. Preece, Joint Administrative Receiver, at the address below or Paul Whitwam on (0772) 703315.

Member DRT International

10-12 East Parade, Leeds LS1 2AJ. Tel: 0532 439021. Fax: 0532 448942.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

### Motor Dealerships and Garages

The Joint Administrative Receivers offer for sale the assets and goodwill of the Brackenbury Group Limited and subsidiary companies.

The Group operates from three locations – Worksop, Grantham and Harrogate.

- Very long established business.
- Volvo dealership and parts stockist.
- Showrooms, forecourts, workshops and bodyshops.
- Freehold/very long leasehold properties of approximately 5 acres/ 40,000 sq. ft. of floor area.

For further information contact the Joint Administrative Receivers, Barry Mitchell and Ian Chisholm, KPMG Peat Marwick, Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF2 1TE. Tel: (0222) 462463. Fax: (0222) 481605

KPMG Corporate Recovery

### Hotels for Sale

The Joint Administrative Receivers of Eclipsecare Limited and Strathlomond Hotels Limited, P. R. Copp and D. K. Hunter of Stoy Hayward, offer the following hotels for sale as going concerns either individually or as a package.

**CAIRN HOTEL**
Harrogate—135 rooms

**CRAIGLANDS HOTEL**
Ilkley—71 rooms

**EARL OF DONCASTER HOTEL**
Doncaster—53 rooms

**CUMBRIA GRAND HOTEL**
Grange-over-Sands—123 rooms

**BURLINGTON HOTEL**
Folkestone—59 rooms

**TARBET HOTEL**
Loch Lomond—91 rooms

Further information may be obtained from the Receivers' sole agents, Messrs Robert Barry & Co, 7 Upper Grosvenor Street, Mayfair, London W1X 9PA. Tel: 071-491 3026. Fax: 071-629 9373.

ROBERT BARRY & Co
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Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business
8 Baker Street, London W1M 1DA. Tel: 071-486 5888.

### Industrial Site for Redevelopment

The Receiver for Birdwing Limited, Peter Copp of Stoy Hayward, offers for sale a 7.5 acre site in Luton known as Dalroad Industrial Estate with significant redevelopment opportunities.

- Freehold title.
- 280,000 sq ft of existing industrial/office accommodation plus public house
- Part let producing approx. £80,000 per annum.
- Close to M1, Luton Airport and connections to London.

Further information may be obtained on application to *G. Frampton* or *P. Anderson* of the sole Agents, Hillier Parker May & Rowden, 77 Grosvenor Street, London W1A 2BT. Tel: 071-629 7666. Fax: 071-409 3016.

Hillier Parker
071-629 7666
77 Grosvenor Street, London W1A 2BT

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**LIVESTOCK HANDLING AND FEEDING EQUIPMENT MANUFACTURER**

The business operates from long leasehold (99 year) premises situated in Alveley, Bridgnorth, Shropshire, selling to major agricultural distributors. Annual turnover £1.5 to £2 million.

36 employees

For further particulars apply to the joint administrative receiver:

A J Galloway
BDO Binder Hamlyn
Mander House Mander Centre
Wolverhampton
Telephone 0902-714828
Fax 0902-711475

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**FOR SALE**

Scottish Restaurant - Hotel Group
T/O £1.25 M
3 Freehold Units

Write Box H8925, Financial Times, One Southwark Bridge, London SE1 9HL

**ARTICULATED TRACTOR & TRAILER LEASING/RENTAL COMPANY FOR SALE**

- Principal activity is the hiring out of articulated tractor units and trailers under short term rental agreements and long term contract hire agreements. Company does not supply drivers or carry out haulage.
- Profitable with turnover in excess of £2 million per last accounts. (30th June 1990).
- Net assets in excess of £2 million per last accounts.
- Fleet comprising 61 tractor units and 400 trailers.
- Customer base includes major international distribution companies, national freight forwarders etc.
- Currently headquarters are in the North of England and there are 17 employees.

Information memorandum available on receipt of confidentiality agreement signed by principal.

Write to Box H8911, Financial Times,
One Southwark Bridge, London SE1 9HL

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**SPECIALIST RETAILER**

Our client is seeking offers for a specialist discount retail chain operating in the Midlands and the North of England.

Turnover approximately £15 million

Principals only should reply to either Richard Wickerson or Michael Hughes, Hill Samuel Bank Limited
100 Wood Street, London EC2P 2AJ
or Telephone 071 628 8011

**D H HEYWOOD (INTERIORS) LIMITED**
**(IN ADMINISTRATIVE RECEIVERSHIP)**

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of this nationwide distributor, importer/ exporter of architectural and designer wallcoverings, located in Oldham, Lancashire.

- Turnover in year to 31st December 1990 £1.65 M
- Freehold property approximately 20,000 sq ft *in good repair.*
- Major customers include multinational hotel groups, major UK property investors, large architectural practices.
- *Trading subsidiary in USA with turnover of* $681,000.
- Large stockholding.

For further information, please contact:
James Gleave or Anne O'Keefe
Arthur Andersen & Co.
Bank House
9 Charlotte Street
*Manchester M1 4EU*
Tel: 061 200 0302
Fax: 061 200 0343

ARTHUR ANDERSEN

On instructions of the Joint Administrators

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- Substantial investment already undertaken in Research, Development, and Market Analysis, and Tooling
- Full Patent application pending
- Substantial potential for marketing at home and abroad of this innovative product
- Substantial tax losses

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FAX. 0742 738226
0742-750161

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**REPUBLIC OF POLAND**
**MINISTRY OF OWNERSHIP CHANGES**
**INVITATION TO NEGOTIATE**
**CIESZYNSKIE ZAKLADY KARTONIARSKIE S.A.**
**("Cieszyn")**

As part of the Polish Government's privatisation programme and in accordance with Art. 23 of the State Enterprise Privatisation Act, an invitation is extended by the Minister of Ownership Changes, acting on behalf of the State Treasury of the Republic of Poland, to interested parties with proven experience in the Paper & Converting industry to record and thereafter pursue their interest in purchasing an interest in a newly incorporated joint stock company, which owns the business and assets of the former state enterprise known as Cieszyn.

In addition to the proposed sale of an interest in the company to a trade purchaser, employees of Cieszyn will be offered shares in the company in accordance with the State *Enterprise Privatisation Act.*

Cieszyn is a small converter in Southern Poland close to the Czechoslovakian border and is a producer of cartons and other packaging products for the domestic retail industry.

This invitation is extended as part of the privatisation initiative for the Polish Pulp & Paper industry currently being undertaken by the Polish Ministry of Ownership Changes.

Sale procedure:

Interested parties should record their interest in the above matter by contacting Hambros Bank Limited whereupon they will be sent a brief outline of the company and a confidentiality letter for execution as a condition precedent to their receiving more information on Cieszyn.

*Replies should be received at the address given below no later than 5pm on Monday,* 22nd July 1991.

Nicholas Craig Harvey
Hambros Bank Limited
41 Tower Hill, London EC3N 4HA
Tel: (071)-480-5000 Fax: (071)-702-9725

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Please ring or write me, or Fax a letterhead with an outline of your requirements. I will be very pleased to discuss Print possibilities with you, in ABSOLUTE confidence.

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## BUSINESS FOR SALE

**Touche Ross**

## Window Fabricators
### (In Administrative Receivership)

The Joint Administrative Receivers, A. M. D. Bird and P. L. Thurston, offer the above fully fitted factory for sale:

- Distinctive freehold premises on outskirts of Bristol with access to major trunk roads,
- Modern Plant (Schuco),
- Workshop area of 12,000 sq. ft.
- Office area of 3,000 sq. ft.
- Storage Yard.

For further information contact the Joint Administrative Receivers at the address below:

Queen Anne House, 69-71 Queen Square, Bristol BS1 4JP.
Tel: 0272 211622. Fax: 0272 292801.
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**LEONARD CURTIS**

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS DAVID SWADEN FCA & DERMOT J. POWER FCA

## RETAIL JEWELLERS (NORTHWEST)

Offers are invited for the business and assets of Karmichael Jewellers Ltd.
The company trades from eight retail outlets.
- Established Regional Image.
- Prime Town Centre Locations.
- Leasehold Premises.
- Annual Turnover £1.3 Million

*Enquiries to be addressed to Charles MacMillan*
**Leonard Curtis & Co, Chartered Accountants**
Peter House, Oxford Street, Manchester M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

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## Nursing Home

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Craig Woollam, Winchester Office. Tel: 0962 844455 or Charles Pinder, London Office 50 Victoria Street, London SW1H 0NW. Tel: 071-799 2121.

LAMBERT SMITH HAMPTON 071 494 4000
Contact Peter Noest F.R.I.C.S.

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## ELECTRONICS COMPANY

design, manufacture and installation of communication and controlled access systems.
T/o £400k p.a.; profitable. Based in North West.
Write Box H8897, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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## Abdine Limited
### (In Receivership)
### Glasgow

The above company is a manufacturing chemist and supplier of baby nursing products.
- Heritable property incorporating on-site laboratory
- Long established business with reputation for quality
- Annual turnover of approx. £500,000
- Holder of medicines, manufacturing and Product Licences
- Established brand names
- Attractive order book.

For further details contact the Joint Receivers: D D McGruther or J M Birch, Grant Thornton, 112 West George Street, Glasgow G2 1QF.
Tel: 041-332 7484
Fax: 041-333 0581

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## Scaffolding Company
### (In Receivership)
### Oxford and Nationwide

The company is engaged in the provision of scaffolding to a prestigious customer base comprising major construction companies, local authorities and the petrochemical industry.
- 12 depots
- Major depots in Barnsley, Bridgend, Exeter, Oxford, St Albans
- Four substantial freehold sites in Oxford, Barnsley, Chesterfield, St Albans
- *Turnover to 31st December 1990 - £8.45m*

For further details contact the Joint Administrative Receivers: Scott Barnes or Iain Allan, Grant Thornton House, Grant Thornton, Melton Street, Euston Square, London NW1 2EP.
Tel: 071-383 5100
Fax: 071-383 4077

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WITHIN 30 MILES OF CENTRAL LONDON
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Write Box H8938, Financial Times, One Southwark Bridge, London SE1 9HL

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## computer marketing plc

**In Administration**

The Company, its business and its assets are offered for sale as a going concern.
The company is one of the top ten computer resellers in the U.K. and operates from five locations in the U.K. with three distinct divisions dealing with:-
- design, sale and installation of PC networks
- sale of computer communication devices
- sale of PC equipment to dealers

Principal aspects of the business comprise:-
- substantial freehold properties in Camberley and Milton Keynes.
- annual turnover of the order of £40 million p.a.
- an extensive stock range
- large customer list

For further information please contact the Joint Administrators, N.J. Vooght and C.J. Hughes, Cork Gully, 9 Greyfriars Road, Reading, Berkshire, RG1 1JG.
*Tel: (0734) 500336, Fax: (0734) 607703.*

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

**Cork Gully**

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## Quality Ceramic Wall Tile Manufacturer

*The Joint Administrative Receivers offer for sale the businesses and assets of Candy Tiles Limited and The Art Tile Company Limited.*
- *Turnover in excess of £4m (1990) with exports*
- *Large freehold premises on A38 west of Exeter, Devon*
- *Modern production line, including Dorst presses, Roller Kiln & fast fire decorating line*
- *Products include: Chiffon, Jasper, Victorian, Corinthian etc.*

*For details contact D.H.A. Peacock and C.M. Clapp, Ernst & Young, Broadwalk House, Southernhay West, Exeter, Devon EX1 1LF. Telephone: (0392) 433541. Fax: (0392) 75175.*

**ERNST & YOUNG**
*Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.*

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## B G Industrial Laser Group Plc

**(In Administrative Receivership)**

The joint administrative receivers offer the business and assets of the Huntingdon based Group for sale as a going concern.
- Over 10 years experience in systems design and processing materials by laser technology.
- £2 million turnover.
- Computer controlled laser cutting and welding plant.
- Skilled workforce.
- Prestigious customer base and forward order book.

For further details contact Mark Palios and Stuart Darling, Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge, CB3 0BL, telephone: 0223 313611, facsimile : 0223 462111.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

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## MAJOR SALE BY AUCTION

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**ARTS**

As The Queen opens the controversial Sainsbury Wing of the National Gallery today, the FT deems the new building a great success

# *As relaxed with Mies as with Brunelleschi*

During the last decade over 100 hundred Post-Modern buildings have transformed the face of London, adding an identifiable layer to what is largely still a Victorian and Modern city. The new wing of the National Gallery is the most controversial of these recent constructions and, in architectural terms, the finest. Like the Clore Gallery extension to the Tate by James Stirling and Michael Wilford, it relates to adjacent buildings that are entirely different and thereby creates a new building type. This might be called "the consistent chameleon"; a structure that changes on each *facade* to acknowledge different neighbours but is nevertheless unified by common themes. The fact that, unlike most Modern and abstract museums, it is also designed to celebrate specific works of art makes it rare if not unique. For both reasons it has to be regarded as a triumph, although one that is hotly contested.

Though the new Sainsbury Wing has been welcomed by most art critics and the general public, professional architectural opinion has been running against it by almost two to one. While the editor of the *Times*, Simon Jenkins, applauds "the most exciting new galleries I have ever seen", and the Director of the National Gallery, Neil MacGregor, not surprisingly regards them as "the finest galleries of the 20th century", architectural critics find them "dull", "self-consciously illiterate" and a "classical blancmange". Never has opinion been more divided on this, the most written about new building since Lloyd's opened five years ago.

This media event is itself part of the problem. Ever since Prince Charles focussed the nation's gaze on the previously squashed "monstrous carbuncle", it has been seen in exaggerated terms: either as a harbinger of the *zeitgeist*, or the Prince's taste, or even the equivalent of a Parisian *grand projet*. It is none of these. Rather, a modest extension, designed to play a background role in Trafalgar Square, has been thrust into the foreground to be judged as the most significant new monument in Britain. Whereas IM Pei's pyramid and extension to the Louvre will end up costing $3 bn, Venturi and Scott Brown's little annexe will be one-fifth that price. Those who expect a grandiose statement *à la Mitterand* are bound to be disappointed.

The misunderstanding partly explains the reaction of Modern architects, such as Richard Rogers, who believe that the correct approach to historic sites is maximum contrast. Most architectural critics, following this line, applaud *Norman Foster's recent additions* to the Royal Academy, just as they condemn the Sainsbury Wing for relating to its context. What they fail to see is the logic, excitement and innovation of Venturi's solution. It fits into not one but five different contexts and responds coherently to each one. Where the Wing extends the National Gallery themes it does so in new ways, syncopating the pilasters of Wilkins' old facade into a staccato crescendo, which then slides into a final climax – an engaged Corinthian column. Some critics misconceive this as a joke, whereas Venturi rightfully refers to it in musical terms as "both cadenza and a coda". The musical metaphor is finely sustained as the main theme undergoes, to the left, a dimuendo and then, to the right, the sudden explosion of a counter-theme.

Here a black glass wall, reminiscent of Mies van der Rohe, is most logical and visually welcome. Its contrast to the white classicism is positively Beethovian and everything a Modernist could ask for: it works functionally to allow glimpsed views of Trafalgar Square; just what is needed at this transitional point on the grand staircase. This space is one of the triumphs of the design and probably why Venturi and Scott Brown won the closed competition in 1985. It deftly solves a potential traffic problem by linking up with the older museum, thus uniting all visitors on a common path. What they find, at the top of the stair, are two of the most extraordinary interior views in London.

*Looking back down the steps* one perceives a forced perspective, whose length is dramatically increased by the pinched sides, and looking west, through columns and arches that also diminish in size, one finds a painting which continues the *illusionistic space right* into its own perspective. *The Incredulity of St Thomas*, an altarpiece by Cima, reflects our own incredulity. Here we are at the juncture of two views which look twice as long as they are and, for the first time in living memory, are confronted by architecture that is art-specific – designed with individual works in mind.

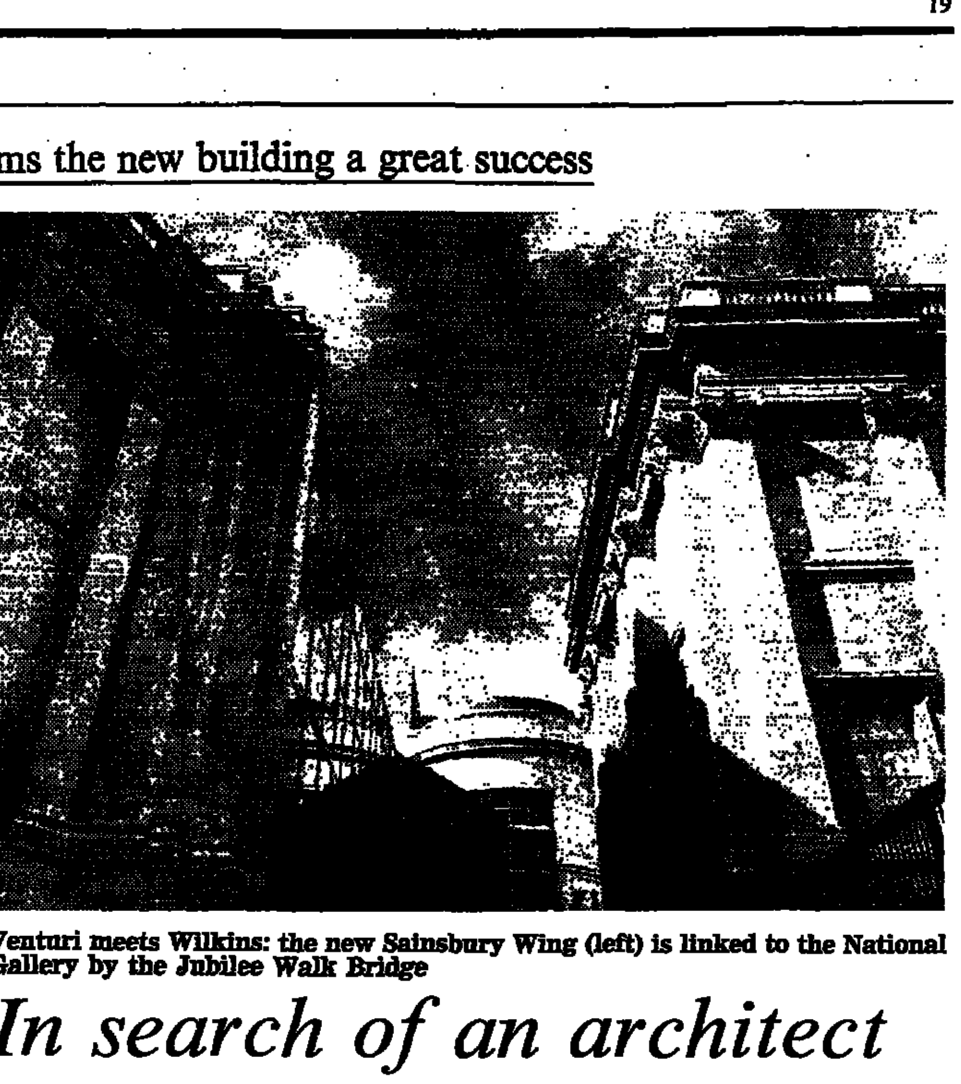
The grand stairway, it is true, has one partial flaw. Large steel arches hang from, rather than support, the ceiling: but they *do* have a visual function, to increase the perspective rush to the dramatically high end wall. This vertical space, which runs through three stories, compensates for the low entrance level, which one is meant to leave as soon as possible. Modernist critics damn it as an "underground parking lot", missing the way it adapts the organic, free-flowing space of the Modern masters – Alvar Aalto and Frank Lloyd Wright. That Venturi employs this sliding, flowing space here and on the mezzanine level, where it is needed, only underscores the complexity of his Post-Modernism and the fact that, more than many of his critics (who have completely missed these aspects of the building), he knows about 20th century architecture from the inside.

The 16 galleries, however, are contemporary versions of Renaissance architecture and with their cool *pietra serena* sandstone look as if they are anterooms to a church by Brunelleschi. This is entirely appropriate to the highly coloured, gilt-framed paintings, all of which need the background *mouldings and Renaissance* grammar to bring out their perspectival space. Flat, Modern art, such as Abstract Expressionism, is constricted by frames, whereas Uccello's famous *Battle of San Romano* is stabilised and focussed by *the grey surrounds. The typical* Modern museum decontextualises art by providing a neutral framework which can take constantly changing exhibitions, while the Sainsbury Wing, combining Brunellschian walls and John Soanian top lights (from the Dulwich Gallery) is shaped to the particular, unchanging collection. Where there are small-scaled Northern paintings, and Piero della Francescas, it steps down in size, and the colour of the light becomes more subdued. Where a dramatically arched crucifixion by Raphael is placed, the arches of the architecture exactly take up the proportions of the canvas. This is context-specific architecture which Modernists forswear with their abstract and college approach.

But, to return to the outside and another misunderstood feature, we should not see this hybrid approach as anti-Modern. Look again at the most vilified facade of the five, the beige brick backside that mounts up Whitcomb Street. At first I also though this was too understated and complained to Venturi that the small steel columns were "Egyptian" rather that "British" (if one must have national references). But on reflection, and good Modern understatement always needs a second glance, I now find the solution both inventive and fitting. The subtle brick articulations are as refined as Mies' work at IIT in Chicago, the store shop windows of the gallery display coloured reproductions (analogous to the columns) and, most importantly, the proportions of the entrance voids are actually continued on this side in a new key. It is the repetition of these dark voids which pull the different facades together and make the building into a profound whole.

If the building is a masterpiece, albeit a minor *one, what explains the* negative reaction? Partly it is due to the recent commercialisation of Post-Modernism, the way that, following other successful movements, it has been asset-stripped and debased. One can understand why some architectural critics are now returning to the safety and sobriety of minimalism, but in this *volte-face* they have misconstructed the real meaning of the modest annexe. It is to show we don't have to choose between high-tech and classicism, or other alternatives on offer, but can be at home in the 20th and the 16th century, as relaxed with Mies as with Brunelleschi. Other approaches force us to take up sides, whereas this building makes an art from including just those things which purists find incompatible.

**Charles Jencks**



**Venturi meets Wilkins: the new Sainsbury Wing (left) is linked to the National Gallery by the Jubilee Walk Bridge**

# *In search of an architect*

When I saw the Cima altarpiece first installed at the *end of Robert Venturi's col*umned vista in the new Sainsbury Wing . . . I wept. So much effort, energy and emotion had been expended by so many on the new wing of the National Gallery that for a moment the clamour of the doubting Thomases was superseded by a sense of resolution, clarity and controlled beauty.

Ever since the Prince of Wales made his striking intervention into the architectural debate in 1984, when he described the combined office block and galleries then proposed as "a monstrous carbuncle on the face of a much loved and elegant friend", the modest site on the north west corner of Trafalgar Square has been the centre of a vortex of architectural debate. I was asked, together with Ada Louise Huxtable (of the New York Times), to help the donors and Trustees to find an architect and ensure a "world class new building" for London. Sometimes the hand was trembling and often sweaty, but the selection process eventually produced a clear winner in the American firm of Venturi, Rauch and Scott Brown from Philadelphia.

It is important to look at the tangled history of the site. It was not purchased for the National Gallery's expansion until 1958. No government money was forthcoming until 1981 when the then Secretary of State for the Environment, Michael Heseltine, announced an architectural competition not just for galleries but for an *office block with galleries on* top. This was apparently the only way the government would consider a new building. Property developers, in return for a 125 year lease on the site, were to fund a set a new galleries.

It was this bizarre and philistine proposal – agreed to in desperation by the Trustees – that led to the "carbuncle" scheme by architects Ahrends Burton and Koralek. It seems incredible that the a design produced was then refused planning consent by the Secretary of State of the same Government department that had promoted the original competition.

What was clear was that the mixture of culture and commerce in one building on one site was wrong. It was only the immense generosity of the three Sainsbury brothers, John, Simon and Timothy Sainsbury that enabled an entirely fresh start to be made with a proposal for a new building totally devoted to the gallery's use.

How was the architect chosen? The selection process included the immersion of the client body into the vast ocean of new museums that have been built throughout the world in the 1970s and 1980s. From a series of visits it was possible to make informed judgments about gallery architecture. As the American architect Philip Johnson said, "aesthetically speaking the museum is an architect's dream. He has – as in a *church – to make the visitor* happy, to put him in a receptive frame of mind while he is undergoing an emotional experience."

The new museum most admired by the selection committee was the Kimbell Art Museum in Fort Worth Texas designed by Louis Kahn and opened in 1972. This museum remains both a great work of modern architecture and an inspiring place in which to see pictures. These qualities were what we hoped to achieve in Trafalgar Square.

Robert Venturi and his firm seemed *to be one of the few* that understood that good architecture depends on both innovation and emotional continuity. After Venturi had been chosen he toured Northern Italy with the selectors and it is clear that he absorbed a sense of appropriate, timeless architecture from the churches and palaces we visited.

Much of the criticism of Venturi's work seems to be based upon an inability to accept the mixture of signals that he sends out. But as any visitor will discover for himself, the Early Renaissance pictures find themselves completely at home and enhanced by the new galleries. They have acquired again an emotional intensity against the tempered serenity of the architecture.

**Colin Amery**

# *New lease of life for Renaissance masterpieces*

The first thing one feels on *entering the galleries of the* Sainsbury Wing at the National Gallery is an overwhelming sense of relief. After all the controversy, here are the co-ordinate and practical spaces, simple, elegant and effective, that do the job they *were commissioned to do.* Quite why this should surprise us so says perhaps too much of what we have come to expect from architects in our time. But what may have been a commonplace to any but our post-war generation has been *triumphantly carried through.*

For once architecture has been put entirely to the service of art. The galleries are top lit and by natural light, the walls clear and ample, the scale set variously to accommodate work as grand or intimate as may be. The rooms offer a natural chronological sequence yet afford the opportunity to refer laterally and incidentally, from century to century, country to country, subject to subject.

The internal link and entrance is set on the long central axis from east to west, an immense vista closed off at one end by the great allegorical ceiling of Tiepolo on the far wall of room 34, at the other, in room 61 in the new wing itself, by Cima's "The Incredulity of St Thomas". Even as we contemplate the one great Venetian, whether of the 15th or the 18th century, there is the other *across the years.*

The particular stands for the general point. It has been a guiding principle of the new hang not to separate and categorise so much as to embrace and comprehend. The new wing is in no sense intended as *exclusive and hermetic in* embarking on the story of European art and bringing it up to 1500, but as the beginning, with the visitor naturally invited to take up the thread through the collections at large. That divide itself at 1500, apparently arbitrary, makes the same point, with Bellini, Cima and Mantegna in that final room, with Titian, Veronese and Tintoretto to follow with the turn of the century, back in the old room 9.

Again, in the first room, the oldest work in the collection, c.1262, hangs to the left, the "Virgin Enthroned" of Margarito of Arezzo: to the right sits Leonardo's "The Virgin of the Rocks", c.1508, to usher in the century of Titian and Michelangelo. Further on in room 55 we come upon the pair of exquisite Filippo Lippi panels, an Annunciation and Saints gossiping in a garden, hung on either side of the door through which we glimpse the Crivelli Annunciation, with its peacock and St Emidius to distract the angel. And there next door, in room 56, is the Magdalen sitting with her book, by Rogier van der Weyden, not an *Annunciation quite, but* closely sympathetic.

Thus are the European schools, the northern and the southern, the Flemish, German and Italian, brought together not just room by room but, in one adventurous instance, with *Bouts, Memlinc and Messina* actually side by side, in room 64. There are more conventional coups in the hang, of course: Mantegna and Bellini together in room 61, room 57 full of Crivelli, room 58 stuffed with Botticelli, the three wonderful works of Piero della Francesca hung together as was never possible before in the small, chapel-like room 66 in the wing's far corner.

It is always a thrill to see great works of art afresh, but to see these familiar things now shown so well, is to rediscover them. It is a most moving experience. Less directly moving perhaps, but no less stimulating, is the recognition of the intelligence behind this general dispensation, for what new thoughts it provokes of the great European tradition. The hanging of the new wing is indeed just the beginning, and we can hardly wait for the reordering of the rest of the collections, for the excitement of it all. Just so is the seamless continuity of art proposed and demonstrated.

**William Packer**

**"The Incredulity of Saint Thomas" by Cima: perfectly placed, it continues the gallery's own diminishing perspective**

## *A look beyond today's party to the Gallery's future*

So, what now? As Neil MacGregor, director of the National Gallery, and chairman Jacob Rothschild enjoy the plaudits, there must be a nagging thought: how do they maintain the momentum? For Lord Rothschild the answer is simple: next year he hands over as chairman to Nicholas Baring whose family have been Trustees of the National Gallery since the 1840s. For Neil MacGregor, still only 45, the question has more relevance.

In many ways running the NG is the easiest of the top museum jobs. The collection is small – around 2,200 paintings, and compact. MacGregor inherited the Sainsbury wing, a strong chairman, and a powerful Trustee in the Prince of Wales. He has successfully exploited his assets by winning the support of the arts establishment through his opposition to admission charges and of the new museum entrepreneurs by attracting substantial sums from private sponsors. He has already refurbished half the old galleries thanks to gifts from Walter Annenberg and Maurice Wohl plus donations from dealers like Hazlitt Gooden & Fox and Agnews.

His main task now is less glamorous than building a new wing but fits more closely his own view of the role of the NG, which is that it should educate the public in the enjoyment of art. The new Micro Gallery (sponsored by American Express), which gives computerised data on the pictures, plus a new book on the early pictures, *Giotto to Durer*, will help.

MacGregor will also campaign more vigorously for an increase in the NG's purchasing grant which has been frozen at £2.75m for the past seven years. This bears no relation to the price of Old Master pictures, which have risen over threefold since 1984.

MacGregor wants to plug gaps in the collection – especially in German art of all periods and 19th century continental pictures. For the rest there is the task of shoring up the building, and, of more popular appeal, doing something about the immediate surroundings. If MacGregor can get rid of the tourist buses and hot dog stands and make the whole of the north of Trafalgar Square a pedestrian precinct, he will have made his mark on what Prince Charles aptly describes as a Much Loved Friend.

**Antony Thorncroft**

*INTERNATIONAL*

# ARTS GUIDE

TODAY'S EVENTS

## AMSTERDAM

**Concertgebouw** 20.15 Combattimento Consort, with Hans de Vries oboe soloist, in a *programme of music for* chamber orchestra by Bach, Fux and Biber. Thurs: piano recital by Frank van de Laar. Fri, Sat and Sun: Mozart concert with Jean-Bernard Pommier conductor and soloist (6718 345).

## BONN

**Oper** 20.00 Julien Sorel, ballet by Youri Vamos with music by Elgar, also Fri. Tomorrow and Sat: The Bartered Bride (773667)

## COLOGNE

**Opernhaus** 19.30 James Conlon conducts Harry Kupfer's production of Lady Macbeth of Mtsensk, with Marilyn Schmiege as Katerina, Gunter Neumann as Sergei and Aage Haugland as Boris. This is the final performance of the season (221 8400). Sat in Philharmonie: Jose Carreras in concert with the Dresden Philharmonic Orchestra (2801)

## COPENHAGEN

**Tivoli Koncertsalen** 19.30 Soprano Eva Hess Thaysen and baritone Lars Thodberg Bertelsen, accompanied by Per Salo, give a recital of Mozart songs. This is one of a series of free concerts in the Tivoli Gardens throughout the summer. For concerts tomorrow and Fri by the Leopoldinum Chamber Orchestra, tickets must be bought (3315 1012)

## LONDON

**DANCE**

**Coliseum** 19.30 Dutch National Ballet opens a week-long season with the British premiere of Rudi van Dantzig's staging of Romeo and Juliet, music by Prokofiev (071-836 3161)

**MUSIC**

**Covent Garden** 19.30 Anne Sofie von Otter sings Angelina in Michael Hampe's production of La Cenerentola, conducted by Carlo Rizzi, with further performances on July 12, 15, 18 and 23. Tomorrow and Sat: Orfeo ed Euridice. Thurs: Tosca with Maria Ewing, Justino Diaz and Placido Domingo (071-240 1066)

**South Bank Centre** 20.00 Nash Ensemble presents the first of three concerts celebrating the centenary of the birth of Sir Arthur Bliss, with soloists Joan Rodgers soprano and Gareth Hulse oboe. Tomorrow: *The Chieftains. Thurs: Keith* Jarrett (071-928 8800)

**St Paul's Cathedral** 19.15 John Scott conducts City of London Sinfonia and St Paul's Cathedral Choir in Bernstein's Chichester Psalms and Mozart's Requiem, with soloists Elddwen Harrhy, Catherine Wyn-Rogers, Martyn Hill and Gwynne Howell (071-248 4260)

**Barbican** 13.00 Peter Gane conducts Guildhall Symphonic Wind Ensemble in world premiere of John McCabe's Canyons, plus Bernstein's Prelude, Fugue and Riffs. Entry is free. Thurs: Cab Calloway joins the LSO for an evening of jazz and blues. Fri: Cuban jazz trumpeter Arturo Sandoval. Sat and Sun: Andrew Litton conducts Gershwin (071-638 8891)

**THEATRE**

**National Theatre**

Tonight and tomorrow, the Olivier is showing Philip Prowse's production of John Webster's tragedy The White Devil (1613), an exploration of ambition, desire and revenge among the palaces and cathedrals of Renaissance Italy. On Thurs, Fri and Sat, the Olivier has Steven Pimlott's production of Moliere's The Miser. Tonight, tomorrow and Thurs, the Lyttelton is showing Eduardo de Filippo's Napoli Milionaria, a play about people on the make in wartime Naples, directed by Richard Eyre.

For ticket information and inquiries about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

## MUNICH

**MUSIC**

**Staatsoper** 19.30 Michael Boder conducts Krzysztof Penderecki's new opera Ubu Rex, staged by August Everding, with a cast led by Dorris Soffel, Robert Tear and Hermann Becht, also Fri. Tomorrow: La forza del destino. Thurs: L'italiana in Algeri. Sat: Don Giovanni. Sun: Sinopoli conducts Gurrelieder (221316)

**Cuvilliés-Theater** 19.30 Gustav Kuhn conducts Kurt Wilhelm's production of Intermezzo, with Felicity Lott as Christine and Hermann Prey as Storch, also Thurs (221316)

Herkulessaal der Residenz 20.00 Thomas Allen, accompanied by Roger Vignoles, gives a song recital. Sun: Hermann Prey sings Schumann (221316)

**THEATRE**

**Kammerspiele** 19.30 Schlusschor, Botho Strauss' play about the state of Germany and its people, directed by Dieter Dorn, designed by Jurgen Rose. Tomorrow: Ibsen's The Lady from the Sea directed by Thomas Langhoff. Fri: Samuel Beckett's Happy Days. Sun: first night of Langhoff's new production of Goethe's Stella (23721 328)

**Theater im Marstall** 20.00 Dear Yelena Sergeyevna, play by Ludmila Rasumovskaya directed by Amelie Niermeyer, repeated tomorrow. Thurs and Fri: an evening of Brecht poems and songs. Next Mon: Elektra, play by Hugo von Hofmannsthal directed by Kirsten Esch (225754)

## NEW YORK

**MUSIC AND DANCE**

**Metropolitan Opera** 19.30 The Royal Ballet in Anthony Dowell's 1987 staging of Swan Lake. Tomorrow: triple bill including American premiere of Kenneth MacMillan's latest work for the company, Winter Dreams. The Royal Ballet season, its first in New York for eight years, runs till July 20 (362 6000)

**Avery Fisher Hall** 20.30 Opening concert of 1991 Mostly Mozart Festival: James Galway is soloist in the Flute Concerto in G and Andre Watts in the Piano Concerto No 9, conducted by Gerard Schwarz. Repeated tomorrow at 20.00 (875 5030)

***New York State Theater** 20.00* New York City Opera opens its 1991 season with Sondheim's A Little Night Music, repeated on Sat. Thurs and Sun: Steven Sloane conducts Frank Corsaro's production of Tosca, sung in Italian. Fri: Turandot. Sat matinee: Bizet's Pearl Fishers (870 5570)

**BROADWAY THEATRE**

Getting Married, G.B.Shaw's 1908 play, takes a comic look at the institution of marriage. Directed by Stephen Porter, with a cast including Victoria Tennant, Lee Richardson, Nicolas Coster and Linda Thorson (Circle in the Square, 239 6200)

Lost in Yonkers is Neil Simon's Pulitzer Prize-winning play, set in Yonkers during the Second World War, about what happens when a pathetic man has to leave *two adolescent sons with his* intimidating mother for the better part of a year (Richard Rodgers, 221 1211)

City of Angels is Larry Gelbart's sharp, jokey musical satire about Hollywood in the 1940s, directed by Michael Blakemore (Virginia, 239 6200)

The Will Rogers Follies, directed and choreographed by Tommy Tune with a score by Cy Coleman, features Keith Carradine as an engaging Rogers (Palace, 730 8200)

Ticketron answers inquiries and sells tickets for most shows (246 0102)

## PARIS

**Palais Garnier** 19.30 American Ballet Theatre triple-bill: Jerome Robbins' Fancy Free with music by Bernstein; Twyla Tharp's Brief Fling with music by Percy Grainger; *and Agnes de Mille's Rodeo* with music by Aaron Copland. Repeated tomorrow and Thurs. ABT season ends on Sun (4017 3535)

**Opera Bastille** 19.30 Armin Jordan conducts Robert Wilson's production of Die Zauberflote, with costumes by John Conklin. The *cast is led by David Rendall* as tamino, Christian Boesch as Papageno, Luciana Serra as Queen of the Night and Cynthia Haymon as Pamina. Runs till July 19, next performances on Thurs and Sat. Tomorrow, Fri and next Mon: Katya Kabanova (4001 1616)

## ROME

**Caracalla** 21.00 Nello Santi conducts Aida, staged by Silvia Cassini. Maria Chiara sings title role, and the cast also includes *Bruna Baglioni, Nicola Martinucci* and Nicola Ghiuselev. Repeated July 12, 16, 19, 21 (488 3641)

**Accademia di Francia, Villa Medici** 21.30 Karine Saporta's ballet The Princess of Milan, music by Michael Nyman. Fri: flamenco programme with Compagnia Madrid. Tomorrow, Thurs and Fri at Teatro Argentino: Tanztheater Bochum in Reinhild Hoffmann's Machandel. RomaEuropa Festival continues till July 25 (6795 370)

## European Cable and Satellite Business TV

(all times CET)

**MONDAY TO FRIDAY**

*Eurosport*

0600-0630 International Business report

*CNN*

0500-0530 Moneyline

0600-0630 Moneyline

1230-1300 CNN Market Watch

1330-1400 Business Day

2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories

2300-2330 World Business Today

0100-0130 Moneyline

*Superchannel*

0700-0830 Financial Times Business Report

A five minute business briefing broadcast three times between 0700 and 0800

2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.

0830 & 2030 (Thurs) Financial Times Business Weekly

*Sky News*

1200 International Business Report

2130 (Thurs) Financial Times Business Weekly

**SATURDAY**

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0900-0930 World Business Today - a joint FT/CNN production

1540-1610 Moneyweek

1900-1930 World Business This Week

2110-2140 Your Money

**SUNDAY**

*Superchannel*

1800-1830 FT Business Weekly

1930-2000 FT Business Weekly

2330-0030 FT Business Weekly

*Sky News*

*1030-1100 FT Business Weekly*

*CNN*

0710-0740 Moneyweek

1540-1610 Your Money

1900-1940 Moneyweek

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FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday July 9 1991

# The EC's role in Yugoslavia

THE PRECARIOUS Yugoslav peace plan, brokered by the European Community on the island of Brioni, can hardly bring more than a temporary respite in the conflict between the country's rival republics. Though the plan provides a breathing-space for the federal authorities and the republics to try to solve their disputes, no one can be in any doubt that the slightest incident could again trigger off a civil war.

For the EC, however, there is some cause for satisfaction. It has acted with commendable speed in offering its services as a mediator, thus partially erasing the impression made by its failure to agree on a joint response to Iraq's invasion of Kuwait. If there is no question, at the moment, of any EC military contribution to solving the Yugoslav conflict, the Community has at least shown that the implementation of a joint foreign policy is not the chimera that it has often seemed.

In many ways, the Yugoslav crisis has offered the EC with the ideal test case for its nascent foreign and security policy. It is a quintessentially European problem, affecting not only the stability of the Balkans, but that of Europe as a whole. Quite apart from the threat to the security of southern and central Europe of a conflagration in Yugoslavia, the resulting influx of refugees into countries such as Italy, Greece, Austria and Germany would be a further destabilising factor. The interests of many EC member countries are thus involved more directly than they appeared to be in the case of the Gulf crisis.

## European link

On the Yugoslav side, both the federal authorities and the dissident republics are anxious to underline their European credentials and to further their chances of closer links with the EC, which already provides them with substantial economic aid. Moreover, there appears to be no clash between the policies pursued by the EC and the US.

After the energetic, but ill-advised intervention of Mr James Baker, the US Secretary of State, in support of the Yugoslav federal government at the beginning of the latest crisis, Washington has been only too happy to let the EC assume the mediator's burden. That, too, is the position the 35-nation Conference on Security and Co-operation in Europe adopted at its meeting in Prague last week.

The group of EC foreign ministers was thus endowed with a strong, if informal international mandate and the confidence of all the feuding Yugoslav parties. It is most unlikely that a conference of the warring factions would have taken place at all at this juncture in the absence of an EC initiative.

## Cautionary note

Nor does the Community's role end there. An EC mission of up to 50 observers will be sent to monitor the agreement under which all federal troops in Slovenia and the Slovenian militia will return to their bases and the arrangements for the control of Slovenia's external borders.

If that is more than the Community has achieved in the field of foreign policy than before, a cautionary note needs to be sounded. The EC has been able to act swiftly and effectively because its offer to mediate has been based on a consensus of member states and the support of the US, Soviet Union and most of the other countries concerned.

That consensus is unlikely to survive if the truce in Yugoslavia breaks down, and the question of recognising the breakaway Yugoslav republics becomes an issue for immediate decision. Germany's attempts to persuade its Community partners to recognise the rebel republics if the federal Yugoslav army intervenes again has already provoked accusations in France that Bonn and Vienna are attempting to resurrect a German zone of influence in the region.

However good the start it has made, the real test of the Community's capacity to help resolve Yugoslavia's long-term problems is therefore still to come. Its success or failure on this concrete issue is much more likely to determine its future status as a player on the world stage than any theoretical decisions on a common foreign policy that might be taken at the end of this year.

# A green agenda for business

THE PRIME Minister yesterday delivered a keynote speech on the environment, an issue which his predecessor put on the agenda so successfully in 1988. Given Mr Major's previous silence on the environment, the choice of subject was something of a surprise. Last year's white paper on the environment had little to say, so there is much for him to play for.

The greening of British politics appears to be a cyclical process. A spate of energy conservation measures after the first oil shock was overtaken by economic revival and declining attention to green issues (a cycle bucked by many countries, including Germany and the US). The emergence of threats to the environment, such as chlorofluorocarbons and global warming, stimulated a new awareness in the late 1980s. With a 15 per cent vote for the Greens in the 1989 European elections, politicians raced to claim the green mantle. Now, the recession appears to have created a downswing in popular interest and political greenery has accordingly declined.

Mr Major and his advisers are astute to spot that this is only a partial eclipse. Surveys indicate that environmental issues remain important concerns for voters. Interest has not subsided internationally, with the environment still an overriding issue of concern in Germany, for example, despite the upheaval of unification. Green consumers may be a little short of cash at present, but there is no evidence that they are going out of business.

## All-powerful agency

The main announcement in yesterday's speech was the creation of an all-powerful environment agency, a measure already advocated by Labour and the Liberal Democrats. New market-based incentives to protect the environment were sadly lacking – yet the ground is fertile for them. The same surveys which demonstrate continuing concern for the environment also indicate that people recognise the limits to their power as consumers. They expect industry and government to provide information and choices – along with infrastructure, such as recycling facilities.

The simplest step would be an environmental labelling scheme to provide consumers with the information to make green choices. If European efforts to agree on a scheme remain bogged down, a UK scheme should be introduced.

A carbon tax is needed to reduce emissions of carbon dioxide. VAT should be extended to household fuel bills, so that domestic energy – least efficiently used – is taxed as heavily as other goods. Experiments on road pricing should be encouraged and the use of the motor car more heavily taxed.

## Tougher standards

Tougher environmental standards on energy efficiency, use of raw materials and recycling could benefit business as well as the environment. As Mr Michael Heseltine pointed out in his May speech to the Royal Society of Arts, industries which face the highest environmental standards in their home markets are best placed to compete internationally as standards rise worldwide. They will also find it easier to see off competitors from abroad. The government can contribute to industrial success by identifying world standards of environmental quality with which UK industry must compete and encouraging their adoption.

This is well appreciated in Germany, where green political pressure forced industry to find environmentally-friendly products and technologies. Now, with stringent new laws on packaging, German companies are developing processes which convert waste products to power or raw materials for re-use. The rest of Europe will buy these products and technologies when they catch up with German standards.

Mr Major yesterday quoted the estimate that the UK market for environmental goods and services will total £140bn over the next nine years. There is a danger that UK business will be outbid for much of this by competitors with greater experience in their home markets. By setting high environmental standards now, the government can provide the spur for UK business to become a world leader in the new technologies, in markets at home and abroad.

# Avoidable agony

## Stephen Fidler unravels the looming debt crisis in the Soviet Union

The Soviet Union is lumbering towards an avoidable balance of payments crisis. One of the world's most resource-rich economies, it produces a fifth of the world's oil and 40 per cent of its natural gas. It is sitting on a stockpile of gold and outstrips every other iron ore, zinc and nickel producer.

The growth of the Soviet Union's foreign debt has been rapid, quadrupling since 1985 to about $60bn now, but for an economy of its size it should be easily manageable. Yet a debt crunch looms and the country is desperately short of foreign exchange. As a result, foreign bank lenders are running for the exits.

The Soviet government has responded to this crisis in time-honoured fashion by curbing imports. They have fallen so sharply that many factories have been forced to close because of a lack of spare parts or necessary raw materials. Soviet officials were estimating in May that a shortage of spare parts was responsible for the closure of 300 factories across the country.

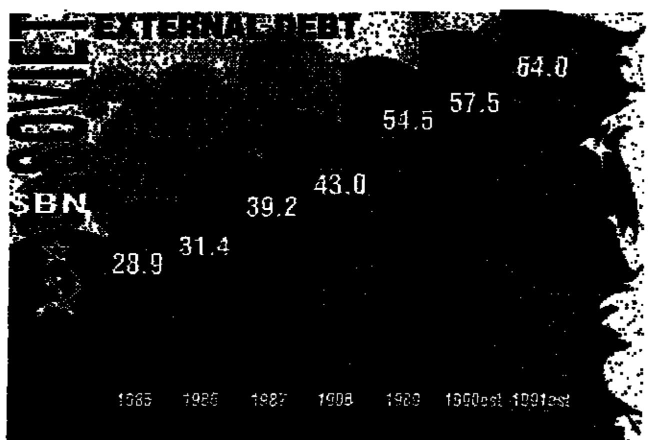
But although imports are falling, exports are crumbling almost as quickly. Overall exports are estimated to have declined about 18 per cent in the first quarter compared with a year earlier, with exports to former satellites in eastern Europe down by 41 per cent, and to market economies – principally in western Europe – by 11 per cent.

Much of the problem lies in the oil industry. Investment has been historically inadequate, largely because Soviet oil was severely underpriced both domestically and internationally. The industry infrastructure is collapsing; pipelines are haemorrhaging. Oil production dropped by 6 per cent and exports by 30 per cent last year. Exports are forecast to fall by at least 40 per cent this year.

The shortage of foreign exchange is exacerbated by chaos in the system under which foreign exchange is allocated. According to a western official in regular contact with Soviet officials: "Not only are they short of foreign exchange, they misallocate it. The arrangements have neither the advantage of a market system nor the order of a centralised one. It's worse than either."

A presidential decree has ordered that, until the end of 1991, all exporters should remit 40 per cent of foreign currency earnings to a central fund to help repay state-guaranteed debt. Many exporters hoard the remaining 60 per cent of their foreign exchange earnings, because of the perceived worthlessness of the rouble. This has the effect of depriving other needy enterprises of hard currency. The problem appears to be getting worse; part of the deal which settled the Russian miners' strike in May was a promise by Mr Boris Yeltsin, president of the Russian federation, that mines should be allowed to sell some coal directly for foreign exchange.

The freeing in April 1989 of 15,000 enterprises to conduct their own foreign trade activities, including borrowing from overseas, has led to a build-up of arrears to western companies extending trade credit. The enterprises were behind with an estimated $5bn at the end of last year, a figure which has not fallen since. It badly damaged the Soviet Union's reputation as a borrower, even though state-guaranteed debt is being serviced.




| Source: OECD, BIS, IMF and Salomon Brothers est. | 1985 | 1986 | 1987 | 1988 | 1989 | 1990est | 1991est |
|---|---|---|---|---|---|---|---|
| Official creditors % | 50 | 47 | 38 | 32 | 26 | 40 | 52 |
| Commercial banks % | 47 | 50 | 58 | 64 | 68 | 53 | 41 |
| Other* % | 3 | 3 | 4 | 4 | 6 | 7 | 7 |
| Interest payments $bn | 2.1 | 2.1 | 2.2 | 2.6 | 4.0 | 4.9 | 5.2 |
| Debt service $bn | 5.2 | 7.8 | 8.8 | 8.2 | 9.4 | 13.4 | 15.5 |

*Mainly credit institutions in countries not reporting to the Bank for International Settlements

The arrears accelerated the flight of foreign banks. The Institute of International Finance, a Washington-based study group funded by international banks, estimates banks withdrew a net $12bn from the Soviet Union last year – mainly by refusing to renew maturing loans.

As the banks have got out, support from western governments (that is western taxpayers) has poured in. The IIF's figures show a net increase in bilateral loans of $9bn last year and forecast a $10bn inflow this (assuming no big increase in financial support from the west). Some financings, in particular loans backed by the German and the Italian governments, have been extended explicitly to pay off some of the $5bn arrears.

Western aid has, therefore, done little more than buy out the banks and other private-sector creditors. According to the IIF, the share of Soviet debt owed to western governments (rather than to private creditors abroad) rose from 23 per cent of total debt at the end of 1989 to about 38 per cent last year. At the end of this year, the proportion is forecast to exceed 55 per cent.

Despite this help, the Soviets used up scarce hard currency reserves, which had halved last year to below $5bn. Their difficulties were worsened by the bad payers on their own foreign loans. A year ago arrears to the Soviet Union on hard currency debts had climbed to $7.2bn. [Soviet claims on foreign countries at the end of 1989 totalled $138.2bn, at the official exchange rate, of which $28.6bn was in hard currency. However, most of the loans are so dubious that they cannot be regarded as a likely route for Soviet financial salvation.]

This year, the Soviet Union faces a debt-servicing bill estimated at $15bn, with forecasts that foreign banks will withdraw a further $8bn to 10bn.

To a group of economists at Salomon Brothers, the US investment bank, all this adds up to the strong possibility of a balance of payments crisis before December. A report published in May concludes: "The Soviet Union's looming balance of payments difficulties increase the likelihood of a commercial bank loan rescheduling in the near future."

However, according to Mr Jan Vanous, research director of PlanEcon, a Washington-based research group specialising in east European economies: "The sheer amount of debt is not large enough to justify a rescheduling."

At the commercial exchange rates prevailing at the end of the year, foreign debt was equivalent to about 9 per cent of gross domestic product, low by international standards. He believes a rescheduling to be avoidable; it would be highly damaging in the long run to the Soviet reputation in international financial markets.

At root of the problem, says Mr Vanous, "is just a sheer lack of imagination on the Soviet side".

So how could the Soviets extricate themselves from the crisis?

- Sell assets: gold reserves are said by Soviet sources to amount to 2,000 tonnes. There are large stockpiles of metals and other valuable materials such as diamonds held by the military and others. Many state enterprises are sitting on huge inventories of raw materials. The drawback is the impact this would have on the markets in these commodities. Mr John Purcell at Salomon believes that attempts to sell commodities in sufficient amounts would so depress their price "that it would be self-defeating".
- Improve the system of foreign exchange allocation. The best way, and in the long run the only way, to do this is to allow the market to set the price of the rouble and to move it towards convertibility. This would allow those who needed foreign exchange to obtain it, and reduce the incentive to hoard foreign exchange.
- Give foreign oil companies the right to buy into oil leases and energy ventures in the Soviet Union. This would bring in important investment capital. According to some oil company executives, if the oil companies moved in, oil output, and therefore exports, would rise, even in the short run. Oil companies are accustomed to high-risk ventures but they are being held back by legal uncertainty. This takes several forms, including the uncertain status of private property and the existence of unpublished laws. Most significant is the "War of the Laws" – the struggle over whether the law of the republics or of the union takes precedence. Until this is resolved, oil companies will be slow to act.
- Sell mineral rights. According to some western officials, some parts of the Japanese government are keen to pour in large credits to develop the mineral potential on Japan's doorstep in eastern Siberia. The credits would be repayable in the output which results from the development. One block is the Japanese foreign ministry's insistence on the resolution of the territorial dispute over the Kurile islands.

There is an alternative; that is persuade the west and Japan to provide the credit to allow the Soviets to ride out the payments problem. A Soviet request for such help is top of the agenda at the meeting of the leaders of the Group of Seven industrialised countries next week in London.

The danger is that if the G7 agrees to provide funds, it provides a cushion which delays rather than accelerates solutions to the problems which lie at the root of the Soviet Union's payments difficulties. For these are also at the root of all the country's economic ills: ill-conceived measures overlaid on a corrupt and bankrupt economic system and an unresolved political struggle between the republics and the centre.

## BOOK REVIEW

# Tales from the tabloid jungle

**SHOCK! HORROR! THE TABLOIDS IN ACTION**
**By S J Taylor**
*Bantam Press, 353 pages, £14.99*

Sally Taylor, the author of this affectionate account of the tabloid press, came so close to landing the big one – an interview with Kelvin MacKenzie, editor of The Sun.

At first he agreed, and then he changed his mind. But Miss Taylor, an American academic in love with Britain's "three-ring circus", its tabloid national newspapers, did meet her hero on the hallowed ground of the Sun office at Wapping. She was up to the occasion, throwing her arms around the man responsible for such headlines as "Up Yours Delors" and "Stick It Up Your Junta", and giving him a big kiss.

Kelvin MacKenzie was deeply embarrassed.

The incident is symbolic of the degree of heartfelt enthusiasm Miss Taylor, a journalist and media historian with a doctorate in media law, has brought to her subject. She loves the unrestrained vulgarity of tabloid newspapers, their irreverence and their power to entertain, and fears that in America and Britain they have become an endangered species.

Like an anthropologist, she has set out to record the way of life of a lost tribe, before civilisation destroys it.

The members of the tribe – journalists from publications such as the National Enquirer to The Sun – loved her for it, and almost queued up to confess all to an academic observer of their world who was able to avoid being in the least censorious about them.

In the US, she concedes, the idea of "an irreverent press run by rogues, scoundrels, vulgarians and glorified vaudevillians repelled just about everyone". But the death of sensationalism also killed off mass readership in the US so that the only genuine profit centres left, she believes, are the supermarket tabloids.

"The lesson from America is that, without the tabloids and their spirit of irreverence, the press becomes a bastion of conformity dedicated to lofty purposes understood only by a few, an instrument for and by an elite – a danger sign to any society," Miss Taylor argues.

The lesson for Britain is that, when the tabloids go too far, society seeks to control them and press freedom comes under threat.

But these thoughts are part of what she calls a "few serious words" at the start of her book. She then moves quickly into the popular newspaper world, everything from the battle of the British tabloids to save Blackie the Donkey from a terrible death in Spain to the National Enquirer's legendary coverage of such stories as the death of Elvis Presley.

The real story about Elvis was suppressed in favour of myths better suited to the tradition of celebrity reporting.

As the reporter from the National Enquirer, which published a snatched photograph of Elvis in his coffin, explained: "Myself and another reporter had the real story, which was that Elvis had overdosed on drugs. But it was easier to go with a made-up story about Elvis going to a psychic the night before his death, who told him he was going to die – the 'premonition of death' thing. They preferred the phoney story to the real story."

Miss Taylor has written a fine and entertaining book about the exclusives, squabbles, achievements and scams of the tabloids. Where it is less than comprehensive is on the question of newspaper ethics, one of the shortest chapters in the book. The author fails to come to grips with the issue of whether it is right to make up quotes or even whole stories, or to invade privacy for little more purpose than profit. The fact that it is lively and entertaining, and that maybe the reader does not believe it is all gospel truth anyway does not amount to a vindication of the genre.

The book appears in Britain in the wake of severe censure by the new Press Complaints Commission of the News of the World for invading the privacy of Ms Clare Short, the Labour MP, and for the suspicion that the paper was running an unfair campaign against her because of her opposition to Page Three pin-up girls. For the survival of self-regulation of newspapers in the UK it was a landmark decision. The commission insisted that not only should papers honour the code of practice they had signed but it concluded that the public interest was not the same as what the public was interested in.

The code makes clear that privacy should not be invaded unless there is a serious reason to justify it. This could be if the invasion of privacy prevented the commission of a crime or prevented the public from being seriously misled. And even politicians should have the right to privacy on matters that do not affect their public duties.

Many of the more outrageous stories in Shock! Horror! – apart from legitimate exposés of wrongdoing or criminal behaviour – would not have been permissible under the new code and would probably have been given short shrift if examined by the Press Complaints Commission. Both the present government and a future Labour government are committed to privacy legislation in the UK, if the present system of self-regulation fails.

As Miss Taylor says, probably with prescience, her book "is a record of the last of the good old days".

**Raymond Snoddy**

# OBSERVER

## George versus his peer

■ One of the more puzzling aspects of the Brent Walker affair is how Lord Kindersley, third generation of one of the City's most powerful banking families, ended up in the hot seat. At least one ex-colleague thinks he was crazy to have accepted the job.

Lord K, a kindly man, is the personification of a City insider - a merchant banker who much prefers to go about his business discreetly, rather than in the full glare of the TV cameras. In last week's battle at the Café Royal, he clearly came off worst.

Svenska Handelsbanken, one of Brent Walker's bankers, first suggested Kindersley's name to George Walker. The soft-spoken Kindersley, who admits to being cussed, felt that the City was "being a bit hard" on George. He took the job but now finds to his cost that George is far less obedient than the couple of gundogs often to be found in his office.

His grandfather, the first Lord Kindersley, is the man who really put Lazards on the map. Having started work at 15 at London's Millwall Dock company, Robert Kindersley would have had much more in common with a street fighter like George Walker. A director of the Bank of England for 32 years and a director of Lazards for nearly 50 years, The Times described him as "a man with whom it would be safe to go tiger hunting and whom it would probably be unprofitable to oppose." The second Lord Kindersley – just 28 when he became a director of Lazards – was cast in a similar mould.

The current Lord Kindersley has never made quite the same impact as his father and grandfather. Most of his career has been spent at Lazards, and although he has a nice collection of City directorships he never became chairman of Lazards and has not been invited onto the Court of the Bank of England. A successful resolution of the Brent Walker affair would do much to enhance his image.

## Golden rule

■ Sheikh Zayed Bin Sultan Al-Nahyan, the man who owns Bank of Credit and Commerce International, determined to put his faith and millions into the international banking system when he became ruler of Abu Dhabi in 1966. Sheikh Shakhbut, the elder brother he deposed, liked to hoard his wealth at home, mostly in gold bullion with a few million dollars in stacks of notes. The story goes that he was only persuaded to bank some of his money when he found that part of his fortune had been nibbled away by rats.

Not such a silly idea after all; gold I mean.

## Overboard

■ Another unfortunate casualty of the BCCI affair is Len Kingshott, a former head of international banking at Lloyds Bank. Kingshott had been earmarked to head the European end of BCCI under a planned reconstruction of the group. Although he had been in close contact with the Bank of England, it sounds as if he was as surprised as the staff by the Bank of England's sudden swoop.

The 60-year-old Kingshott, who has never been a run-of-the mill clearing banker, quit Lloyds a couple of years ago after the bank downgraded its international banking business. He helped establish the Greek-owned Private Bank and Trust Company in 1989, but his background – BP, Ford, Whitbread and British Steel – is big business. A member of the Monopolies and Mergers Commission, he is a non-executive director of Rosehaugh and The Crown Agents. Luckily, he is also chairman of Oakbridge Counselling, which specialises in what Americans politely term "outplacement".


"We're expecting an upturn in the third half of 1991."

## Green cops

■ David Slater has hardly had time to find his way round Whitehall, but he is already being tipped to run Britain's new environment agency – the most powerful "green" job outside the Government.

The 50-year-old environmental whizzkid was imported from the private sector in May to knock into shape Her Majesty's Inspectorate of Pollution (HIMP). A founding director of Technica, consultant scientists and engineers, he has investigated some of the most horrendous pollution incidents of recent years – Flixborough, Seveso, Bhopal and the Exxon Valdez disaster, to name the most obvious.

A friendly man, who is keen to keep a good relationship with the media, he has brought a more open style to the workings of the troubled HMIP. But the 57-year-old Lord Crickhowell, chairman of the National Rivers Authority, may have other ideas, especially if his empire is going to lose some of its clout. Early days yet, but perhaps Crickhowell could be chairman and Slater the chief executive?

## Example

■ Should the Stock Exchange's proposed new constitution, on which its members will vote today, be seen as a model of good corporate governance?

Its executives can never form a majority on the board. Its chief executive, who has already aroused antagonism for trying to wield the sort of power implied by his title, is on a one-year rolling contract and faces re-election to the board every three years. Not many companies listed on the exchange retain that sort of control over their executive – but then, how many chief executives would work under those sort of conditions?

## Lost in the wash

■ The first word of the title of Cima da Conegliano's canvas "Doubting Thomas" – newly displayed in the London National Gallery's new Sainsbury branch which will be opened by the Queen today – might better be "dubious".

The reason it hasn't been on view before is that there was not much left to see after it was accidently dropped into Venice's Grand Canal some time in the 1800s. The painting now visible is largely the work of one of the gallery's talented restorers, Jill Dunkerton.

## Current

■ Political humour Moscow-style: What's the difference between democratic socialism and socialism ?

The same as the difference between a chair and an electric chair.

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# A new school of Tory thinking

## Britain's Conservative party has radically changed its tune on education policy, writes Andrew Adonis

"We are changing a culture and cultural changes take time," Mr John Major observed last Wednesday in his keynote education speech to the Centre for Policy Studies. He was talking of the country in general; but his words apply no less forcefully to the Conservative party in particular. For in retrospect, Mr Major's speech may come to be seen as a watershed: the moment when the Tories broke free from a century and more of their own cultural baggage, and made the quality of state education and training a high national priority.

Whatever their rhetoric, Tory leaders from Disraeli to Thatcher were unable or unwilling to give it any such status. The aristocratic élite which dominated the party until the 1970s was not merely anti-intellectual; it was anti-business too. In 1891, when Lord Salisbury ruled a third of the globe, Arthur Balfour – his nephew and successor as prime minister – wrote to him of a businessman minister that he was "that rare bird, a manufacturer who is fit for something besides manufacturing".

If rare birds now rule the roost, the aristocratic mentality long survived the eclipse of the Salisburys. It was institutionalised in the public schools; and they, in turn, served to stunt the growth of a single, unified state system with which the governing class identified its own interests. Ignorance and indifference went hand in hand, which is partly why Britain's Tories permitted – even connived at – the left's destruction of the grammar schools, in marked contrast to the successful rearguard action fought by Germany's Christian Democrats when faced with the same levelling ideologues.

The ignorance rate remains high: of the 221 office-holders in Tory governments between 1970 and 1987, only 47 attended a state school. But with the threat to competitiveness reaching alarming proportions in the 1980s, Mr Kenneth Baker, Mrs Thatcher's third education secretary, launched a bold attempt to raise standards through a mix of national direction and local competition. The result was a bag of new schemes including notably: opting out, the national curriculum, GCSEs, city technology colleges.

Mr Major and Mr Kenneth Clarke, his education secretary, have come up with only two new policies of note: the promise of higher pay for teachers, and, it seems likely, an ombudsman for parents. But in preaching the Baker word, they seem finally to have converted their party to the cause. What, then, is likely to be the impact of changes in the six areas outlined in Mr Major's speech – the GCSE, opting out, inspection, vocational qualifications, teacher training, and city technology colleges?

PMs apart: Arthur Balfour and John Major, contrasted attitudes towards education

● **GCSE.** The new exam has increased the proportion of 16-year-olds succeeding at public exams: one in three school-leavers now has GCSEs at grades A to C in English and maths. But Mr Major fears standards may be slipping and is critical of the high proportion of coursework allowed in the GCSE. Grade inflation is undeniable: between 1988 and 1990, the proportion gaining grades A to C in English rose from 44 to 52 per cent, and in science from 32 to 41 per cent.

Some independent schools have already dubbed GCSE the "general collapse of sensible education". "The coursework has gone too far", says Mr Anthony Verity, headmaster of Dulwich College in London. "The GCSE is badly moderated and marked; and in some subjects definitely easier than O-level." But most head teachers take a more positive view, even in selective schools. Mr Rex Pogson, head of Rugby grammar school, says children "mostly find coursework stimulating and interesting: it all depends on the school and the teachers. But if it changes again, we'll soon adapt."

● **Opting out.** By the start of next term 91 state schools will be grant-maintained, out of a total of 23,250 in England. Most of those opted out more because of the government's financial bribes or fear of reorganisation than for any thirst for freedom from local authority control, according to a survey by the Assistant Masters and Mistresses Association. Ironically, opting out has made least impact where ministers believed it to be most needed: Kent (population 1.5m), has 28 schools opted out or balloting on the issue; the London borough of Lambeth (population 240,000), whose schools and further education colleges produced two students with three A-levels last year, has one.

Controversy over opting out has not lessened with time. Mr Tim Brighouse, professor of education at Keele university, condemns it as incipient centralisation. "If they succeed, we will have the most centralised education system anywhere in the western world," he says. There is, nonetheless, a general expectation that if the Conservatives win the next election, grant-maintained status will spread like wildfire.

Tory-controlled Warwickshire, for example, has had only one secondary school opt out from a total of 40, with another two in prospect. Yet Ms Margaret Maden, the county's chief education officer, thinks the local education authority (LEA) could well cease to be viable if even six more schools opt out, because of the high overheads involved in maintaining central services. "If the Tories win, I see a very confused, if not bleak, future for LEAs," she says.

● **Schools' inspectorate.** "I want to turn the school inspector into the parent's friend," Mr Major told the Centre for Policy Studies. Mr Clarke has already ordered a review of the role and operation of Her Majesty's Inspectorate, and some form of education ombudsman could feature in the forthcoming Citizens Charter. Labour has jumped the gun by proposing an education standards commission, to be charged with inspecting schools at least once every five years, and with powers to intervene in schools where parents or governors complain.

● **Vocational qualifications.** A streamlined set of vocational qualifications is intended to overcome what Mr Major described as Britain's "disdain for vocational training, a superior attitude to industry, and a mild contempt for the practical man and woman". The National Council for Vocational Qualifications is masterminding the whole operation, which is proving far from smooth.

"We need to get vocational courses into schools, not just further education colleges," says Mr John Sellars, chairman of the Business and Technician Education Council (BTEC), the largest validating body of vocational courses in England and Wales. As yet, only 73 schools are approved to start BTEC first diplomas (equivalent to GCSE) next term, and it is hard to find a school seriously contemplating the option. "But interest is growing fast," says Mr Sellars, "and we intend to market BTECs actively in schools. It will be a lot easier when the general vocational qualifications are available." Another case, perhaps, of the wildfire which may or may not spread.

● **Teacher training.** Mr Major is keen to see more teacher training based in schools. Here, at least, he is at one with the profession. Prof Brighouse pioneered a school-based teacher training scheme, under which graduate trainee teachers spend three-fifths of their time in a single school for their whole year of training, when Oxfordshire's chief education officer; it is widely deemed to have been a success, and he is doing the same at Keele. Best practice is spreading fast. Ministers may be content to let it continue, and not intervene and shake up teacher training departments as some on the right wing would like them to.

● **City technology colleges.** By next term 13 CTCs will be up and running. For all the publicity they have attracted, they look set to be no more than marginal to educational provision for the 1990s. If there is to be a training revolution, it will have to come from the new vocational qualifications and the 82 Training and Enterprise Councils (Tecs).

Much depends on the outcome of the next election. If Mr Major wins, CTCs, GMSs, GVQs and NVQs will soon be part of the informed reader's vocabulary. If not, we will be talking about General Teaching Councils, Quality Commissions and the like. Either way, about one thing Mr Major is almost certain to be right: "Teaching is set to become one of the most challenging careers of the decade."

## Joe Rogaly

# The greenest card

The game of political snap is now being played to music. Down goes the first card, called the Citizens Charter. It is played by Mr Paddy Ashdown, leader of the Liberal Democrats. Snap! There you see the next pieces of pasteboard, one thumped on the table by Mr Neil Kinnock, the Labour leader, the other politely tossed by the prime minister, Mr John Major. Two more charters! How fortunate we citizens are!

Next trick. Again Mr Ashdown leads, with a credible environmental policy. "Anything you can do," croons Mr Kinnock, "I can do greener." He gets enthusiastic. He launches his green card. "I can do anything greener than you." Up pipes the prime minister. "No you can't." "Yes I can." "No you can't." There is a pause. Mr Kinnock breaks the silence.

"I can launch a promise."
"I exude a grey mist."
"I can launch a quango."
"It takes two to tango."
"Its for you the bell tolls tolls tolls."
"I shall top the polls polls polls."
"I can do 'most anything."
"Tell a tall story?"
"Yes."
"So can a Tory . . ."

I did mean that line about two to tango. For yesterday Mrs Ann Taylor, the shadow environment secretary, produced a pamphlet* describing how the National Rivers Authority and Her Majesty's Inspectorate of Pollution plus other assorted bodies would, under a Labour government, be merged into a new pair of quangos – a regulatory "Environment Protection Executive" and, above it, a supervisory "Environment Protection Commission," answerable to a minister. Snap! Almost simultaneously Mr Major announced that the government will set up an "Environment Agency", composed of the NRA and the HMIP, plus a few assorted quangettes. (For the benefit of new readers, a quango is a quasi-autonomous non-governmental agency; a quangette is a baby quango.)

Mrs Taylor, a salt-of-the-earth politician from Bolton, would be justifiably upset if I failed to mention that the Labour agency was thought of long before Mr Major got around to reversing government policy in order to follow the crowd. So we shall give her "I can launch it quicker," to save endless versification. It is also true that such an agency is widely regarded as a good idea by everyone, including the House of Commons select committee on the environment, which propounded it long ago. The possible exception is Mr Nicholas Ridley who did not appear to favour it when he was in charge.

Beyond that there *is* a difference – and there isn't. The Labour proposal seems to give the new set-up more independence than does the prime minister's, but under our British constitutional arrangements it may not be possible to stick to this excellent intention. The government's single

**Two more charters! How fortunate we citizens are!**

quango *seems likely* to do what the Department of the Environment tells it to do. Its terms of reference will be departmentally set. This means that all the internal arguments about not actually upsetting the ungreenly privatised energy companies, or the current favourites of the Department of Industry, or anyone who has recently lunched anyone at the Department of Transport, will continue. The Treasury, as ever, will be the final arbiter. The impoverished HMIP plus the timid NRA may therefore equal an impoverished, timid, environmental agency.

Mrs Taylor's upper-level commission is designed to enhance the independence of the new mechanism, by keeping it at arm's length from ministers. Her promise of access to public information to strengthen the green side of the argument carries greater weight than Mr Major's protestation that "we have opened the door to environmental information", since Labour is committed to a freedom of information act and the Tories appear to be firmly set against any such thing. To this extent Mr Kinnock's card certainly is greener.

The flaw lies in our system of ministerial responsibility to a whipped party in the commons. The Labour quangos would ultimately be dependent on ministerial appointment and ministerial direction, just like the Tories' new body. There would be more static if ministers tried to interfere under Labour. The new executive's public statements and reports might not always be pre-censored, or suppressed, as might the pronouncements of the administrative agency proposed by the government. At the end of the day, however, Whitehall in general and the Treasury in particular would still be able to prevail under Labour's proposals, except in cases where public opinion was so outraged that it frightened the life out of them.

But public opinion is a fickle force. For an understanding of how it works you should study Mr Michael Heseltine's first law of the environment. This runs: when people are feeling rich, they worry about greenery. When they are feeling poor, or in imminent danger of unemployment, they worry about their jobs and their savings. Clearly the environment secretary, whose department must have drafted much of Mr Major's speech yesterday, is willing to go along with the notion that the Tories had better not take any chances on this one, but I doubt if he is elated about yesterday's upstaging of his job by the man who pipped him to the prime ministerial post.

Nor has he reason to be. Mr Major's echo of Mrs Thatcher's famous concerns about global warming is to the good, but he said nothing to suggest that he is any more likely to follow talk by significant action than she was. What is required, as all Europe (but not all the US) knows is a tax on carbon dioxide emissions. Both large parties are afraid of that. Both are toying with road pricing, a useful device aimed at the same objective. What I am waiting for is another chorus: "Any road you can price, I can price higher/ I can price any road higher than you." *Then* we will be getting somewhere.

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# *LETTERS*

## Proposed sole trader share dealing system should be given a chance

*From Mr Stephen P Cooke.*

Sir, Your leader, "Monopoly on the exchange" (July 3), contains valid warnings of the possible change to a sole trader system for the less liquid securities. However, I feel that the proposed changes potentially offer the best way forward and should be given a proper airing to dispel many of the fears expressed by Mr J V Fontannaz (Letters, July 4).

It is my view that the liquidity in many of the stocks traded in London has suffered for three reasons: the recognition that these shares are of above average risk to the private investor following the stock market crash of 1987; the recession and its greater effect on smaller companies; and the high levels of interest rates available to private clients as an attractive investment.

The above factors have combined in creating a lack of interest in smaller companies and the inevitable consequence that market spreads have widened further, exacerbating this problem. The unofficial agreement of the leading houses to maintain a minimum of two marketmakers in each stock is fragile. Ongoing losses in this area will probably lead to further withdrawals and deterioration to the liquidity of smaller company shares.

The stock market largely exists to match buyers and sellers of shares. The competing market-making system works in a highly effective manner in the companies with sufficient turnover; however, approximately half of the companies listed on the London Stock Exchange during 1990 averaged less than two bargains per day, and in reality other mechanisms need to be examined to trade these shares more effectively.

It is for this reason that both the sole trader and order execution alternative proposals offer some hope that private clients will be able to deal in much narrower spreads than at present, albeit at possible loss of immediacy of dealings.

Stephen P Cooke,
*chief executive,*
*Gerrard Vivian Gray,*
*Borne House,*
*88 Holborn, London WC1*

## Dilemma of selling as much electricity as possible

*From Mr Andrew Warren.*

Sir, The managing director of London Electricity was quoted in your article, "Commercial sector resilience helps London Electricity to £142m" (June 28), as saying that the most pleasing aspect of his company's results was a 4 per cent volume growth.

Obviously he takes a perverse pleasure from knowing that his company's product put 0.75m more tonnes of carbon dioxide into the atmosphere last year than it did the previous year. Or does he never consider his annual figures this way?

The dilemma for Britain's electricity industry is that, under existing regulatory arrangements, it can only make money by selling as much electricity as possible, rather than diversifying into providing efficiency services.

It is forced to be a seller of a commodity, rather than a provider of services – the role Thomas Edison always envisaged for electricity.

Andrew Warren,
*director,*
*Association for the Conservation of Energy,*
*19 Sherlock Mews,*
*London W1M 3RH*

## No charter, but standards underwritten

*From Ms Margaret Hodge.*

Sir, Your leader, "Labour's charter", (July 4) rather simplifies why my council has gone down the road of service guarantees.

Compulsory competitive tendering is a reality and we have been very successful in rising to the challenges this brings. However, we have a quite separate commitment to raising quality as a matter of primary concern in the way we deliver services to the public.

That is why we have now implemented 24 refuse guarantees in all our neighbourhoods and introduced a contract with swimmers at our Cally pool.

Unlike York, we have not introduced a charter, but have chosen to look at each service and see how we can underwrite standards and how we inform people about what they should expect from us on a day-to-day basis. We are glad to be in the forefront of this.

Margaret Hodge,
*leader,*
*London borough of Islington,*
*Town Hall,*
*Upper Street,*
*London N1 2UD*

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## Why US wants a big result from a big effort in Uruguay Round

*From Mr Harry L Freeman.*

Sir, In your reporting of developments in the Uruguay Round of the Gatt, two key points continue to surface; largely issues between the European Community and the US.

As an American who has been involved in the round, trying to get it started since 1982, and working with the US private sector as the director of a large coalition in favour of the strongest and broadest politically possible result I wanted to comment briefly on these two areas.

The official US position, at the inception and today, favours a "maxi agreement", which translates into substantial progress in all 15 original agreed negotiating areas. US reasoning has been that this may be the last round in the traditional sense because of the difficulties of negotiations among 100-plus countries. Beyond that, most Americans involved see the Uruguay Round as the first real opportunity to write world trade rules for the whole world.

Moreover, the US private sector wants its issues covered in depth, with no dangling participles languishing in the hope of some future round. And congressional approval is much easier if you have a private sector strongly behind the result.

That happy circumstance will exist only if substantial progress is made across the board, producing enough "winners" who will support ultimate US approval.

Contrary to the US position is an EC predisposition towards the "mini" agreement, which would be expeditious and cover a lower number of negotiating areas and the principal argument for which is the proposition that that is all that is realistically obtainable. At present that position does not wash in Washington. The US wants a big result after a big effort.

Then there is the timing of the round. The frequent message heard from Europe is that it must be finished by the end of this year, lest we fall into the vagaries of the 1992 US presidential election. This is viewed by most in Washington as a red herring. Trade agreements have not been partisan issues in the past and we are likely to have substantial continuity in our trade policies, *particularly with a popular* incumbent president.

The fear in the US is policy discontinuity in Europe and elsewhere. We see the prospect of a Labour government in the UK, for good or bad; we hear very different trade policy comments from the new French prime minister; we see Chancellor Kohl and Prime Minister Gonzalez in less than popular political positions, and we see the likelihood of a change in the Italian government. Beyond Europe, strong advocates of the round, such as prime ministers Mulroney and Hawke, are in political difficulties, and many here see Prime Minister Kaifu rotated out of power in 1992. Today, after violence, we see a new prime minister coming to India.

Rightly or wrongly, we Americans tend to think of ourselves as the body politic with continuity in trade policy, *while it is the rest of the world* that seems likely to be a bit shaky in the future.

Harry L Freeman,
*president,*
*The Freeman Company*
*1101 Pennsylvania Avenue NW,*
*Suite 510,*
*Washington DC 20004*


**ISLE OF MAN GOVERNMENT**
**FINANCIAL SUPERVISION COMMISSION NOTICE**

**BANK OF CREDIT AND COMMERCE INTERNATIONAL SA**

**INFORMATION FOR DEPOSITORS**

It was announced on Friday, 5 July, that the Luxembourg authorities in conjunction with the Bank of England had taken control of the assets of Bank of Credit and Commerce International SA (BCCI SA), a Luxembourg-incorporated bank which has a branch in the Isle of Man. The Financial Supervision Commission has taken similar action in the Isle of Man to support the actions of overseas regulatory authorities. The effect of these actions is to freeze deposits with BCCI SA including those at the branch *in the Isle of Man.*

Although the problems of BCCI SA are international and the bank is not incorporated in the Isle of Man, the High Court in the Island has granted an Order appointing Mr Peter Vanderpump of Touche Ross & Co as Provisional Liquidator in the Isle of Man. The Court has indicated that it will consider further the petition for winding-up on 24 July.

If a winding-up order is made, depositors who have placed deposits with the Isle of Man branch of BCCI SA *may* apply for compensation from the Isle of Man's Depositors Compensation Scheme. Further information on when and how to claim will be issued later. Meanwhile depositors should approach the Provisional Liquidator for information and assistance.

The Depositors Compensation Scheme provides for compensation equal to 75% of an eligible deposit, with a maximum payout to any one depositor of £15,000. So, a person with a qualifying deposit of £10,000 would receive £7,500; a person with one of £20,000 would receive £15,000; but anyone with more than £20,000 would still only receive £15,000. Deposits in non-sterling currencies are eligible for compensation.

There are, however certain exclusions from the Depositors Compensation Scheme. These include deposits held by people or institutions who are connected with the management or ownership of BCCI SA; other banks licensed in the Isle of Man or in any other country or territory outside the Island; secured deposits or deposits with an original term of more than 5 years; deposits securing overdrafts or loans.

*Deposits placed with other parts of the group outside the Isle of Man will not be eligible for* compensation from the Isle of Man Depositors Compensation Scheme; but these may benefit from Deposit Protection Schemes in other jurisdictions.

Payments made to depositors by the Depositors Compensation Scheme will represent a claim of the Scheme on any assets that may later be available to the liquidator to repay the original depositor. So, if funds became available to the liquidator to pay depositors, the Depositors Compensation Scheme would get its money back first.

Once a winding-up order has been made, the Financial Supervision Commission will obviously move as quickly as possible to issue forms and process claims. It is not possible at this stage to be certain how long this will take; but the Commission is anxious to act speedily to alleviate any hardship and uncertainty.

Depositors seeking assistance or clarification should in the first instance approach:-

Mr C.P.A. Vanderpump
Provisional Liquidator
for the Isle of Man Branch of BCCI SA
45 Victoria Street
Douglas
Isle of Man

Tel: 0624-621000

Isle of Man Government
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# Kaifu shoulders a burden of shame

## Japan's securities scandal has come at an embarrassing time, writes **Robert Thomson**

TALKING tough does not come naturally to Mr Toshiki Kaifu. But the amiable Japanese prime minister was convincing in his portrayal of anger yesterday when he condemned the securities industry for having brought shame on Japan. "I regret this whole thing very much," he said.

He also deeply regrets the timing. Mr Kaifu is about to leave for the US and Europe, where he had hoped to concentrate on the lofty issues of controlling the arms trade and protecting the environment, and to elaborate on Tokyo's views on financial aid to the Soviet Union.

Instead of polishing Japan's international profile, Mr Kaifu now suspects some of his time will be spent explaining financial scandals to President George Bush and then at the Group of Seven summit in London. His explanation, he says, will stress that the stock scandals are "a rare case" and "not a true reflection" of the way business is conducted in Japan.

To emphasise his personal interest in the case, Mr Kaifu said after his interview with the Financial Times and selected other international news organisations, the finance minister, Mr Ryutaro Hashimoto, would be waiting to brief him on the disciplining of the securities houses for compensating favoured clients and lending to gangsters. "The problems show the importance of openness and transparency in financial activities," Mr Kaifu said.

Toshiki Kaifu: transparency in financial matters needed

Mr Bush is also likely to use the word "transparency". US trade negotiators have repeatedly urged Tokyo to make the financial system more transparent and to protect the rights of investors, both Japanese and foreign.

"Every investor must be responsible for his or her investments, that is the rule of the market," said Mr Kaifu, who has only recently cultivated an interest in the financial sector. "I will be doing my best to make sure that this scandal is not repeated."

The spate of scandals, financial and industrial, has provided ammunition for Europeans suspicious of Japanese intentions. On his tour, Mr Kaifu is to meet Mrs Edith Cresson, France's prime minister and a strong critic of Japanese companies and their global ambitions.

"Obviously we are not thinking about conquering the world, but we are interested in achieving co-prosperity with all other countries," Mr Kaifu said. "I have been told that Mrs Cresson's remarks show that, rather than being ignorant of Japan, she has realised the importance of the relationship."

Mr Kaifu elaborated on Japan's reluctance to provide financial aid to the Soviet Union, though he did not want to give the impression Japan was standing apart from other G7 members. Tokyo has opposed aid until the Soviet Union returns the four islands that Japan calls the Northern Territories and which Soviet troops occupied at the end of the second world war.

Japanese officials seemed unwilling to invite President Mikhail Gorbachev to the G7 gathering, and they remain wary of the German government's enthusiasm for an aid package.

"Japan has not been in isolation. Japan has supported the correct direction of perestroika. We agreed at the Houston summit last year that it is important for the Soviet Union to shift its resources from military development to the civilian field. We look forward to hearing from President Gorbachev in London, and hearing his plans for self-help."

His reference to a "shift in resources from the military" is code for Tokyo's concern about the formidable Soviet forces that remain in north Asia, and the irritation at the Soviet troops and civilians who remain in the Northern Territories. He also emphasised that the Soviet Union has to prove that it is committed to economic reform.

"We have heard about the various reform plans proposed in the Soviet Union, but we need to see progress in reform itself."

The G7 meeting will see Japan less coy about presenting itself as a representative of Asia's interests. Mr Kaifu said he was encouraged by Qian Qichen, the Chinese foreign minister, who thanked him last month for Japan's efforts to prevent "the isolation of China" after the crushing of the pro-democracy movement in Beijing two years ago.

"I hope that the other summit participants will give proper consideration to the interests of Asia," he said. "I support the stability that EC unification will bring in 1992.

"When I talked with Asian leaders during a visit earlier this year, some of them expressed to me their sincere and candid apprehension about the EC becoming a bloc. I told them I was not personally worried, but that I would talk with European leaders and stress the hope that Europe will remain open."

## Bush hopeful of summit meeting this month if treaty is completed

# Soviet move to end Start deadlock

**By Peter Riddell,** US Editor, in Washington

SENIOR Soviet officials will visit Washington later this week in an attempt to break the deadlock over the treaty to reduce strategic nuclear weapons (Start) which has been holding up a Moscow summit between President George Bush and President Mikhail Gorbachev.

Mr Bush yesterday described the Soviet move as "a good sign". He said there was plenty of time to get the Start treaty completed so there could be a summit at the end of this month.

The US has been insisting on completion of the Start talks before a summit can be held and on Saturday Mr Bush sent a message to Mr Gorbachev urging the Soviet leadership to show more flexibility following limited progress in recent talks in Geneva.

President Gorbachev responded immediately and, according to the White House, "agreed with Mr Bush's view of the need to redouble efforts at completing a Start agreement".

He accepted the US invitation to send a delegation, which will be headed by Mr Alexander Bessmertnykh, the Soviet foreign minister, and General Mikhail Moiseyev, the Soviet chief of staff.

The presence of Gen Moiseyev is particularly significant since US officials believe the Soviet negotiators in Geneva have not had the authority of the military leadership in Moscow to reach an agreement.

The Soviet team will meet Mr James Baker, the US secretary of state, on Thursday afternoon and Friday. The hope is that remaining problems can then be sorted out ahead of the brief meeting in London on July 17 between Mr Bush and Mr Gorbachev when a Moscow summit date may be announced.

Mr Bush was optimistic yesterday about the Soviet response as an indication of an intention to complete the treaty.

While there is agreement on a cut of 30 per cent in each side's long-range missiles and bombers, problems have remained over definitions of what constitutes a new missile, how many warheads can be deployed on a missile, inspection procedures and limits on encryption of transmissions from missile test flights.

The summit, scheduled for February, was postponed because of the Gulf war and the Soviet crackdown in the Baltics. A late June date was set, but that slipped by because of the Start talks delays.

# US living standards fell in 1990 but still top, report says

**By Nancy Dunne** in Washington

THE US was the only leading industrialised country to show a decline in real living standards last year, according to a new report by the private Washington-based Council on Competitiveness.

In its fourth yearly "competitiveness index", the non-partisan organisation of business executives, academics and labour leaders said the US was still first in living standards, followed by Canada, Japan, Germany, France, the UK and Italy. But the other countries were catching up.

"A rising standard of living around the globe benefits everyone," the council said. "Of concern, however, is slow growth in the US standard of living resulting from the erosion of industrial competitiveness."

The authors acknowledge that the decline in living standards – the first in eight years – could simply be the result of the 1990-91 recession. However, even when the US standard of living was growing, it rose more slowly than that of competitors.

In one area after another the US was found to be lagging. Although its manufacturing productivity has been rising, it has been growing less than in the other industrialised countries.

In 1972, for example, the Japanese manufacturing worker was 63 per cent as productive as his American counterpart. By 1988, he was 80 per cent as productive. German productivity has moved from 65 per cent of the US level in 1972 to 71 per cent in 1988.

US investment last year was a flat 12.6 per cent of real GDP, the lowest of all Group of Seven countries. For the past three years, the US has invested less in plant and equipment in relation to the size of its economy than any of the industrialised nations.

Japan invests almost twice as much as the US – 23.4 per cent of its national income last year in new factories, machines, office building and equipment.

"US industry is now faced with an ever-expanding group of highly modern, foreign industrial competitors," the report says. If US industry hopes to compete with the world's best, it must start investing like the world's best."

UK investment rates were also found lagging in some areas, particularly non-defence research and development expenditures, which fell below the US in 1988, the last figures available. The UK savings rate was the lowest of all the industrialised countries in 1990.

Lydia van der Meer

Qaiser Malik, a BCCI bank officer, addresses fellow employees at a demonstration outside the Bank of England

# BCCI employees offered compensation

**By Michiyo Nakamoto and Neil Buckley** in London

FORMER employees of the Bank of Credit and Commerce International were yesterday offered compensation following a demonstration outside the bank's London head office in Leadenhall Street.

The demonstrators, who later moved to the Bank of England, said they were told by Touche Ross, the provisional liquidators, that employees would receive some emergency relief and a redundancy payment of £198 ($316.80) per year of service.

Employees with subsidised BCCI mortgages would have to renegotiate these with other banks and building societies.

Shares in all big UK banks were down, with National Westminster falling 9p to 296p. The FT-Actuaries banks index was down by 1.8 per cent to 857.8, more than twice the percentage drop in the FTSE 100, which closed down 17.9 points.

The expectation that the banks may have to pay out up to £200m in compensation added to the gloom hanging over the banking sector.

The shares in Control Securities, one of the UK's largest Asian-run companies, fell by a third yesterday amid concern about its involvement with BCCI. The bank has a 5.5 per cent stake in Control Securities.

The property group, which includes pubs, hotels and a brewery, is the creation of Ugandan-born Mr Nazmu Virani, one of the richest Asian businessmen in the UK.

Many of the 1,200 BCCI employees in the UK are Pakistanis or Indians. They are locally hired staff on relatively low pay, according to one former employee.

"How do I feed my child?" asked Ms Devine Palit, a former employee who had £6,500 in a BCCI account. "If the Bank of England has pulled the stops on this bank they have stolen my money."

"We haven't been told if we are unemployed," said Ms Nicole Gosden, who was secretary to a senior manager in the Europe Regional Office.

"I don't blame BCCI, I blame Price Waterhouse," Ms Gosden added.

# Big four Japanese securities houses penalised

Continued from Page 1

Nomura and Nikko were each to be fined Y5m, while Yamaichi and Daiwa's fines were an even less painful Y3m. The houses themselves announced that about six executives would be dismissed and that a total of 49 officials would suffer pay cuts of between 5 and 20 per cent for periods from three to six months.

Responding to criticism that the penalties were too lenient, Mr Ryutaro Hashimoto, the finance minister, said they were the toughest imposed on any company that had violated the ministry's directives. He emphasised that these were not punishments for "illegal acts", but for unfair and unethical business practices.

The ministry also issued a directive banning accounts in which brokers have complete discretion over a company's funds, the so-called *eigyo tokkin*.

After such accounts showed trading losses, the four brokers compensated client companies, which had taken for granted that they would earn income on the accounts.

During the four-day punishment period, the Big Four will be allowed to buy shares on their own account, trade with individuals, and to complete already agreed contracts, but they will not be able to trade on behalf of corporate clients.

## WORLDWIDE WEATHER

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 26 | 79 |
| Algiers | S | 29 | 84 |
| Amsterdam | F | 23 | 73 |
| Athens | F | 30 | 86 |
| Bahrain | S | 34 | 93 |
| Bangkok | F | 35 | 95 |
| Barcelona | S | 26 | 79 |
| Beirut | | – | – |
| Belfast | C | 17 | 63 |
| Belgrade | F | 29 | 84 |
| Berlin | S | 31 | 88 |
| Biarritz | S | 28 | 82 |
| Bombay | F | 31 | 88 |
| Bordeaux | C | 23 | 73 |
| Boulogne | C | 20 | 68 |
| Brussels | C | 22 | 72 |
| Budapest | F | 30 | 86 |
| Buenos Aires | F | 16 | 61 |
| Cairo | S | 31 | 88 |
| Cape Town | S | 20 | 68 |
| Caracas | C | 28 | 82 |
| Casablanca | S | 24 | 75 |
| Chicago | | – | – |
| Cologne | F | 27 | 81 |
| Copenhagen | S | 27 | 81 |
| Corfu | S | 27 | 81 |
| Dallas | | – | – |
| Dublin | Dr | 15 | 59 |
| Dubrovnik | S | 28 | 82 |
| Edinburgh | C | 16 | 61 |
| Faro | S | 30 | 86 |
| Florence | S | 30 | 86 |
| Frankfurt | S | 18 | 64 |
| Geneva | S | 25 | 77 |
| Gibraltar | S | 25 | 77 |
| Glasgow | T | 15 | 59 |
| Helsinki | S | 27 | 81 |
| Hong Kong | F | 31 | 88 |
| Innsbruck | F | 28 | 82 |
| Inverness | Fg | 15 | 59 |
| Islamabad | F | 40 | 104 |
| Istanbul | S | 27 | 81 |
| Jakarta | F | 32 | 90 |
| Jersey | Dr | 18 | 64 |
| Johannesburg | S | 14 | 57 |
| Lima | F | 21 | 70 |
| Lisbon | S | 27 | 81 |
| London | R | 19 | 66 |
| Los Angeles | | – | – |
| Luxembourg | F | 24 | 75 |
| Madeira | S | 25 | 77 |
| Madrid | S | 30 | 86 |
| Majorca | S | 29 | 84 |
| Malaga | S | 26 | 79 |
| Malta | S | 28 | 82 |
| Manchester | C | 17 | 63 |
| Manila | F | 33 | 91 |
| Melbourne | S | 10 | 50 |
| Mexico City | C | 24 | 75 |
| Miami | | – | – |
| Milan | S | 31 | 88 |
| Montreal | | – | – |
| Moscow | C | 21 | 70 |
| Munich | S | 28 | 82 |
| Nairobi | | – | – |
| Naples | S | 29 | 84 |
| Nassau | F | 34 | 93 |
| New Delhi | S | 39 | 102 |
| New York | | – | – |
| Nice | S | 25 | 77 |
| Nicosia | S | 26 | 79 |
| Oporto | F | 21 | 70 |
| Oslo | S | 27 | 81 |
| Paris | C | 22 | 72 |
| Peking | S | 25 | 77 |
| Prague | S | 29 | 84 |
| Reykjavik | F | 19 | 66 |
| Rhodes | S | 29 | 84 |
| Rio de Janeiro | F | 27 | 81 |
| Rome | S | 27 | 81 |
| Salzburg | F | 27 | 81 |
| San Francisco | | – | – |
| Seoul | C | 25 | 77 |
| Singapore | | – | – |
| Stockholm | S | 28 | 82 |
| Strasbourg | F | 28 | 82 |
| Sydney | F | 15 | 59 |
| Taipei | F | 35 | 95 |
| Tangier | S | 32 | 90 |
| Tel Aviv | S | 27 | 81 |
| Tenerife | S | 27 | 81 |
| Tokyo | F | 34 | 93 |
| Toronto | | – | – |
| Tunis | S | 33 | 91 |
| Valencia | S | 31 | 88 |
| Venice | S | 30 | 86 |
| Vienna | S | 28 | 82 |
| Warsaw | S | 29 | 84 |
| Washington | | – | – |
| Zurich | S | 25 | 77 |

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

# Holding on for Tokyo's turn

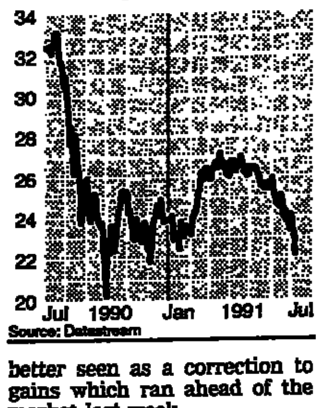
The renewed weakness of the Tokyo equity market has reached the point where it is worth recalling that things could be worse. The authorities' theatrical gesture in shutting down the big four Tokyo brokers for four days was bound to be unsettling. For just that reason, it scarcely suggests panic. The authorities still have various tricks up their sleeves short of another discount rate cut, ranging from pushing down overnight money rates, as they seem to have done in the last few days, to relaxing margin requirements as they did last October.

The real question may now be not whether the broking scandals have been purged, but whether the factors which were pushing the market down before the scandals emerged are still in force. One could argue that the biggest of these factors was the receding prospect of a discount rate cut, given the continued overheating in the economy. If so, the market has got what it wanted, if perhaps for the wrong reasons. And if, as Salomon Brothers suggest, growth in Japanese GNP over the next 12 months could be approximately zero, there should be more cuts on the way. It is always a little tricky to argue for a rising market on a slowing economy. In Tokyo's case, the alternative is not so much tricky as alarming.

FT-SE Index: 2,466.8 (−17.9)

**Japan**

Nikkei Average ('000)




Source: Datastream

## Banks

There are some good reasons why bank shares should have been marked down yesterday, but they do not include the closure of BCCI. The money market exposure of the clearers to BCCI appears to be minimal and the threat of losses from that quarter scarcely justifies a markdown of between 2 and 3 per cent. Admittedly, British banks do face a levy to help meet deposit insurance claims; but here, too, it is easy to exaggerate. Some two thirds of BCCI's £750m sterling customer deposits came from non-residents and many of these are likely to exceed the maximum £20,000 qualifying for compensation. The banks also stand to recover some of the levy as BCCI's assets are liquidated.

Even for Barclays and Natwest, which face the highest share of the levy, the impact on profits should be small. For the industry as a whole it is likely to be much less than the corporate lending problems continuing to pile up as a result of the recession. The share price falls might thus be better seen as a correction to gains which ran ahead of the market last week.

Yesterday's gloomy survey from the Institute of Directors,as well as the falls in consumer spending and borrowing,suggest there is not much economic news in store which could produce the hoped-for second half rebound in bank earnings. Moreover, even if bankers are eventually exonerated from the charge of not passing on base rate cuts to small businesses, they will have to think twice in future about the political consequences of raising margins on loans even to customers who represent deteriorating risk.

## UK economy

The last time British consumers were net repayers of debt, in December 1989, it was put down to an influenza epidemic. May's £36m repayment suggests a headache for the government of a different kind: that consumer confidence has taken a further blow as attention switches away from high interest rates to fear of unemployment. A similar conclusion can be drawn from the 0.5 per cent drop in final retail sales, but there are some caveats.

First, the sales data are still distorted by the after-effects of the blip in March, when purchases were brought forward to beat the VAT increase. Second, another distortion has appeared in the form of the weather, which hit clothing and footwear sales in May and is likely to do so again in June. On a longer perspective, the three month rolling average for both sales and borrowings is showing small gains.

Yet to take this as evidence of imminent recovery would be clutching at straws. The more important lesson from the latest figures is that consumer confidence is now only likely to recover as the increase in unemployment slows. That in turn could be delayed by the depressing signals employers are now receiving about demand in the high street.

## Stock Exchange

When the members of the London Stock Exchange vote today on changing its structure, they may have some difficulty deciding what the real issues are. On the face of it, all that is proposed is the scrapping of the old coffee-house constitution embodied in the 1802 Deed of Settlement, and the replacement of the Council by a conventional board of directors. But an implicit objective is that the new board should contain more of the Exchange's users, whether institutions or companies. This, according to the Exchange's executive, will make it more market-driven. Put less diplomatically, the Exchange is too important to be left to stockbrokers.

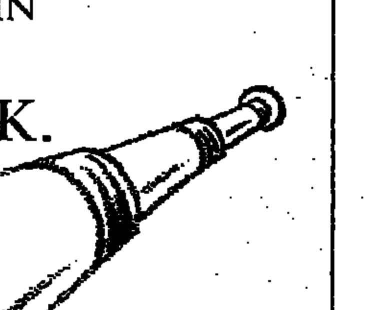
There may perhaps be a further agenda: that the Exchange should be turned into a re-capitalised, self-standing business operating for its own benefit rather than that of its members. From the outsider's viewpoint, it is certainly curious that the Exchange should be achieving turnover of £185m on net assets of £177m and neither making a profit nor paying a dividend. This may have been sensible while the Exchange was nothing more than a service centre to the member firms, but if it is to operate in the wider interests of its users, it seems rational that it should account for the services it provides on a profit-making basis.

This, however, would probably call for the injection of equity from outside sources. That in turn would entail allowing the Exchange to pay dividends, something which is not yet proposed, but doubtless will be. London's stockbrokers must resign themselves to the fact that the era of change which began with Big Bang is not over yet.

## Brent Walker

The conduct of Mr George Walker in obstructing the rescue of his company is becoming hard to defend. As a result of his own rescue attempt last November, Mr Walker has very large personal financial obligations. His only real asset is his nuisance value, which he is deploying to the full. The whole affair shows how necessary it was get rid of him in the first place.

THOSE WHO DON'T
GRASP THE
NETTLE ON
GREEN
ISSUES MAY
WELL WIND UP IN
THE DOCK.



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Associations in Washington, Los Angeles, Houston, Paris, Cairo, Kuwait.

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FINANCIAL TIMES
# COMPANIES & MARKETS

Shepherd Design & Build

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## INSIDE

### Commonwealth Bank in record flotation

Commonwealth Bank yesterday launched Australia's biggest share issue, with the A$1.34bn flotation of 29.75 per cent of its capital. The issue values the government-owned institution at A$4.5bn ($3.4bn) and places the Commonwealth in the top 10 companies listed on the Australian Stock Exchange behind rivals, the National Australia Bank and Westpac, in terms of capitalisation. Mark Westfield reports. Page 26

### National Enquirer, Shock Horror!


It might seem an unusual time for a publishing company to go public, but not when that company owns The *National Enquirer*, the racy US tabloid that has thrilled readers to such stories as Elvis's ghost. The Enquirer's parent — G P Group — is raising $350m through an initial public offering and will use the proceeds to buy back convertible preferred stock and expand overseas. Karen Zagor reports. Page 26

### Walker plays down approach

Brent Walker, the UK leisure group fighting to put together a financial restructuring, yesterday dismissed weekend press reports that it had received an offer from Lonrho, the international trading group. The group, which recently ousted its chief executive George Walker (left), acknowledged that it had received a facsimile outlining an approach, but that it contained insufficient detail to be capable of serious consideration. It added that it "awaits clarification by Lonrho of its intentions." Page 30

### Energy boost for Portugal

This month the Portuguese government will give the go-ahead to the first stage of its bid to modernise the country's energy sector. It is about to announce the winners of bids to build and manage a vast natural gas network — one way it hopes to alleviate its heavy dependence on imported oil. Investments in the energy sector programme could exceed $6bn during the next three to four years. Patrick Blum reports. Page 32

### Bull's NEC accord details

Groupe Bull, the French state-owned computer-maker, is today expected to announce the details of its long-awaited accord with NEC, the Japanese electronics group. Edith Cresson, the French prime minister, said yesterday the deal would be different from the one originally envisaged, but refused to go into detail. Bull refused to comment beyond confirming that it will make an announcement today. Page 24

### Market Statistics



### Companies in this Issue



### Chief price changes yesterday

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | Hachette | 180.1 | + | 7.6 |
| **Rises** | | | | **Falls** | | | |
| Herlitz | 416.8 | + | 11.8 | Accor Entrepr | 1121 | − | 39 |
| **Falls** | | | | Club Medit | 417 | − | 14 |
| Dresdner Bk | 338 | − | 8.2 | Fonc Lyonn | 891 | − | 21 |
| Hoesch | 261 | − | 5 | Paris Resc | 235.1 | − | 9.9 |
| Mannesmann | 268 | − | 13.5 | **TOKYO (Yen)** | | | |
| **NEW YORK ($)** | | | | **Rises** | | | |
| **Rises** | | | | Daishowa Paper | 4130 | + | 250 |
| Cambex | 13¾ | + | 1⅝ | Kaga Elec | 2530 | + | 130 |
| Digital Equ | 62⅛ | + | 2⅛ | Nitchitsu | 1170 | + | 90 |
| Microsoft | 63¾ | + | 2 | **Falls** | | | |
| Sun Micro | 27¼ | + | 1⅜ | Kyodo Print | 1050 | − | 200 |
| **Falls** | | | | Seiko | 1900 | − | 400 |
| BankAmerica | 34⅛ | − | ⅜ | TYK | 1170 | − | 200 |
| Chase Manhattan | 17 | − | ⅜ | | | | |
| **PARIS (FFr)** | | | | | | | |
| **Rises** | | | | | | | |
| Cap Gemini | 321 | + | 10.6 | | | | |

New York prices at 12.30.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **LONDON (Pence)** | | | | Beazer | 79 | − | 5 |
| **Rises** | | | | Burton | 38½ | − | 4½ |
| Bucknall | 73 | + | 5 | Clinton Cards | 188 | − | 20 |
| Domino Prntg | 329 | + | 12 | Control Sec | 13½ | − | 6¼ |
| Donelon Tyson | 33 | + | 4 | Guinness | 953 | − | 12 |
| Ramsden's (H) | 137 | + | 20 | M & W | 110 | − | 9 |
| Reliance Sec | 229 | + | 11 | More O'Ferrall | 240 | − | 19 |
| Strong Fisher | 28 | + | 3 | Mountleigh | 26 | − | 10 |
| **Falls** | | | | NatWest Bank | 296 | − | 9 |
| ADT | 618 | − | 22 | Tate & Lyle | 375 | − | 10 |
| ASDA | 87 | − | 5½ | Walker Grnbk | 51 | − | 5 |
| Arsprung | 175 | − | 7 | | | | |
| Barry Wehmir | 146 | − | 12 | | | | |

# Daimler to buy 34% Sogeti stake

By **William Dawkins** in Paris and **Andrew Fisher** in Frankfurt

SOGETI, the French holding company which controls Cap Gemini Sogeti (CGS), Europe's leading computer services group, is negotiating to sell a minority stake to Daimler-Benz, the German vehicle and aerospace group.

The deal, a response to the growing competition in the software industry, should be finalised this summer. It forms an important step in CGS's attempt to become the world's largest computer services group, said Mr Serge Kampf, president of Sogeti. It is currently the fourth-biggest in the world.

Grenoble-based CGS and Berlin-based Debis System Haus, Daimler-Benz's computer services division, will form a joint venture in Germany offering each others' services and then collaborate through CGS's existing networks elsewhere in Europe. Their managements will remain separate.

Full details of how the joint venture will function and what services it will include have yet to be worked out.

Mr Kampf, who has been looking for an industrial partner for two years, stressed that Sogeti was still open to similar alliances. He would not disclose names of other companies in talks with Sogeti, although he confirmed that he was open to alliances with US and Japanese partners.

Daimler-Benz is to pay between FFr1.3bn ($210m) and FFr1.5bn for a 34 per cent stake in Sogeti, partly by the acquisition of existing shares and also through an issue of new equity reserved for the German company.

This is the first time the French computer services group has raised funds in this way. Previously, it has had to rely on its existing shareholders to fund an aggressive takeover programme.

In the past year, Sogeti has paid £199m ($318.4m) to acquire control of Hoskyns, Britain's largest computer services group, and £39m for Scientific Control Systems of Germany.

CGS, which employs 20,000 people and expects turnover this year to rise from FFr9.2bn to FFr11.5bn, is about three times larger in sales terms than Debis System Haus.

The German company, established last year, expects 1991 turnover to almost double from DM775m ($423.4m) to DM1.2bn, helped by the French deal. It is part of Debis, Daimler-Benz's general services unit, which employs almost 5,000 people and reported sales of DM4bn last year.

Debis Systems Haus earns three-quarters of its turnover from carrying out facilities management for Daimler-Benz.

# A shot in the arm to numb any pain

**Clive Cookson** reports on ICI Pharmaceuticals' plans to guard itself against a sales slump in the US market

ICI Pharmaceuticals will announce plans this week to produce an unbranded drug for the first time. The move, which may seem surprising for a dedicated manufacturer of branded medicines, is part of the UK company's strategy to prevent sales of its best-selling heart drug, Tenormin, slumping in the US after its main patent expires later this year.

After a decade of strong growth, ICI Pharmaceuticals is the jewel in the Imperial Chemical Industries crown — and the key to any takeover battle if Hanson bids for ICI. Its 1990 trading profit of £489m ($792m) represented 48 per cent of the group's total.

The next five years will be far more testing for the pharmaceutical business. Sales of Tenormin were worth £650m last year, with the US market accounting for about 50 per cent. ICI has to cope with the lost patent protection during a period when it is likely to launch only two significant drugs: the broad spectrum antibiotic Meropenem; and the prostate cancer treatment Casodex.

The long-term outlook is more encouraging. Mr Tom McKillop, technical director, says ICI Pharmaceuticals has eight promising drugs in early clinical trials, 10 more in pre-clinical development and a "strong flow of compounds coming through from research".

Cancer — still rather a Cinderella area for the whole pharmaceutical industry — is a particularly fertile field for ICI scientists.

Seven different cancer drugs are in development. They include a "magic bullet" antibody treatment for colon cancer, an improved hormonal treatment for prostate cancer and a general chemotherapy agent with reduced side-effects.

"We have as good a long-term research and development pipeline as anyone in the industry," says Mr David Friend, chief executive. First the business has to get through five lean years.

Part of the strategy is to look for a similar-sized pharmaceutical company with which ICI can merge or form a worldwide alliance. Even if it does not find a partner, it has a plan to keep profits growing by a few per cent a year until new ICI drugs come on to the market in the second half of the 1990s.

The most immediate challenge is to protect Tenormin. A blockbuster brand normally loses about half its US sales to cheap generic competitors within two years of losing patent protection. Mr Friend believes ICI can hold on to 60-70 per cent of Tenormin sales by pre-empting the generic drug manufacturers and supplying its own generic version to the US market from its Puerto Rico factory.

The other side of the plan is to promote sales of full-priced Tenormin by providing an enhanced service — including a monthly newsletter and reminder phone calls to patients who fail to renew their prescriptions.

Even if its innovative Tenormin strategy works, ICI still stands to lose at least £100m a year in revenues by 1994.

The company plans to make up for this by aggressively promoting three drugs launched in the late 1980s: Zestril, which combats high blood pressure and heart failure, licensed from Merck of the US; Diprivan, an injectable anaesthetic; and Zoladex, a hormonal treatment for prostate and breast cancer. Total sales of these drugs are close to £300m a year and growing fast.

The main reason for ICI's cloudy outlook in the short-term is the commercial failure of two drugs which the company had expected to become big sellers in the 1990s: Statil, a treatment for the complications of diabetes; and Corwin, for congestive heart failure.

Looking back at the scientific and technical evidence, Mr Friend still believes ICI was right to develop Statil, but he concedes, "Corwin was not a very clever development. If Corwin had been subject to the rigours of our new system we would have made a hard decision earlier on" to stop developing it.

Research and development procedures at ICI Pharmaceuticals have been tightened up considerably over the last three years.

Research now concentrates on six areas — cardiovascular, cancer, infection, pulmonary, arthritis and the central nervous system — which together account for about 60 per cent of all pharmaceutical sales. ICI no longer does research in fields such as gastro-intestinal disease, skin disorders, anaesthesia and analgesics.

ICI has a strategy to push new drugs on to the market more quickly by shortening the R&D period.

For example, it aims to get a newly discovered compound into the first phase of clinical trials within 14 months. Until now, this process has usually taken 36 months.

Scientists at ICI Pharmaceuticals headquarters at Alderley Park in Cheshire are under no particular pressure to hold down R&D expenditure, even though the rest of the ICI group has been hit by the chemical industry recession.

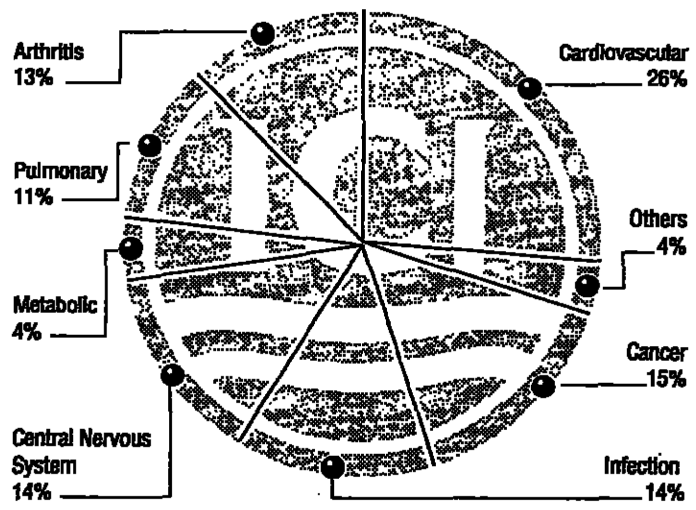
They spent £202m on pharmaceutical R&D in 1990 (of which £65m was on pre-clinical research) and expect to spend £230m this year. At 15 per cent of sales, that is close to average for the international pharmaceutical industry.

The perceived threat from Hanson has brought out Alderley Park's latent loyalty to the ICI group with evidence proffered of the way the pharmaceutical division has benefited from being part of the chemicals group. For example, ICI polymer scientists invented the biodegradable plastic delivery system for Zoladex, the prostate cancer drug, and a promising new cholesterol-lowering drug.

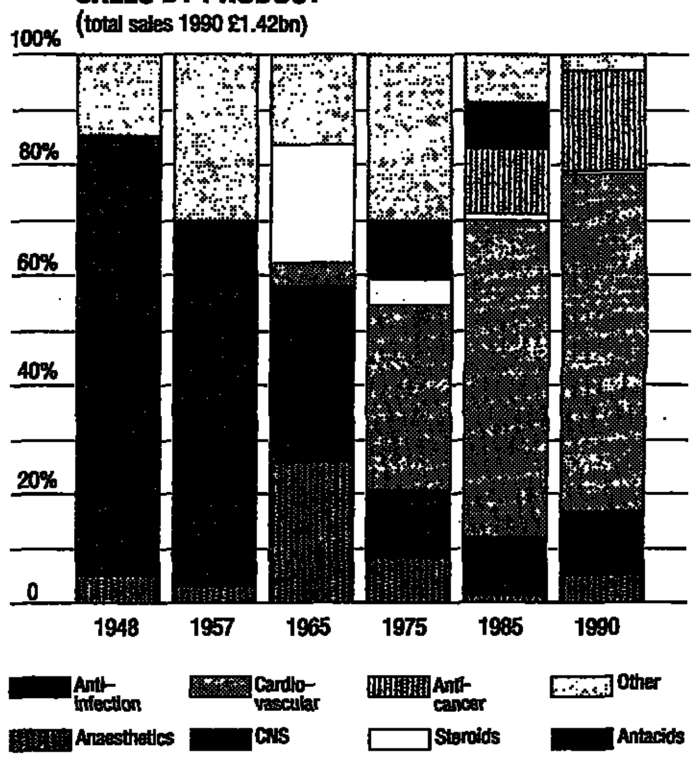
At the same time there is a strong feeling that ICI Pharmaceuticals would be bigger today if it had been an independent company during the money-spinning 1980s.

Instead of handing most of its profits over to the corporate purse, it could have built up a cash mountain or expanded its worldwide infrastructure even faster — or it might already have bought another pharmaceutical company.

**PHARMACEUTICAL RESEARCH EFFORT**
1990 manpower deployment (total 1990 research expenditure £65m)




**SALES BY PRODUCT**
(total sales 1990 £1.42bn)




# Hutchison Telecom buys network venture from BAe

By **Richard Gourlay** in London

HUTCHISON Telecommunications (UK) yesterday said it had bought Microtel Communications, the mobile communications venture — or personal communications network (PCN) — led by British Aerospace.

In return BAe has taken a 30 per cent stake in Hutchison Telecom (UK), a subsidiary of the Hong Kong-based Hutchison Whampoa group.

Neither group would say how much the deal was worth. BAe said, however, that it had spent about £30m ($48m) developing the PCN network and buying the stakes of its three fellow founders in the consortium, Millicom and Pactel of the US and Matra of France.

The latest change in ownership came just before the UK's three future PCN operators — Microtel, Unitel and a consortium led by Mercury Personal Communications — were due today to be presented with licences by the Department of Trade and Industry.

The PCN has been heralded as the next generation of mobile communications technology following in the path of the profitable cellular network operators, Racal Telecom and Cellnet.

BAe said the agreement enhanced its involvement in the mobile telecommunications market.

The company said it would broaden the business base into existing communications services, such as Hutchison's cellular service business, while retaining "exciting opportunities" which PCN would offer.

Mr David Steadman, Hutchison Telecom (UK)'s managing director, said Microtel would provide "a vital link" in the development of an integrated range of wireless telecommunications businesses in the UK.

BAe said it had looked at its investment in PCN and began to restructure its investment earlier this year, culminating in the departure of Millicom, the US communications group.

Millicom insisted that its decision to leave the group was not a reflection on PCN's prospects in the UK.

The company, which will receive about $7.4m from the sale of its stake, said it could now shift management resources from Microtel to PCN America, a subsidiary which is seeking the first US licence for the technology from the Federal Communications Commission.

In the UK, the PCN operators are approaching the time when they will each have to begin spending up to £1bn to develop their networks throughout the country.

BAe said that it had been targeting its launch of PCN for 1992 and was expecting to have a total UK coverage a few years later.

However, Mr Steadman said Hutchison would only launch the service when the technology was ready but that it was unlikely to be in operation in "a major way" before 1993.

MR RICHARD Siemens, group managing director of Hutchison Telecom in Hong Kong, said yesterday the deal would bring to a halt the group's rapid expansion in the UK during the past two years, reports Angus Foster.

Following yesterday's agreement with British Aerospace, Hutchison Telecommunications (UK) said it now expected to concentrate on developing a Personal Communications Network. It plans to spend up to £800m ($1.3bn) in the next five years on the project.

The company hopes to attract users who need various mobile telecommunications services yet prefer one operator. By being able to package different services together Hutchison says it will be able to compete on cost.

Hutchison Telecom (UK) has 170,000 cellular subscribers, making it one of the two largest cellular service providers in Britain.

On line to be big in personal communications, Page 20

# Continental appoints new chief executive

By **Andrew Fisher** in Frankfurt

CONTINENTAL, the German tyre company holding cooperation talks with Pirelli, has chosen a new chief executive two months after Mr Horst Urban was eased out of office.

Mr Hubertus von Grünberg, 48, who heads the automotive division of ITT Corporation of the US, will take over the top job at Continental at the end of July.

Mr Wilhelm Winterstein, 60, has been interim head of the management board since Mr Urban, 55, left in May following his opposition to the Pirelli proposals.

Mr von Grünberg is one of the few German managers to reach a top position with a US concern. Now based at ITT Automotive's Michigan headquarters, he previously headed Alfred Teves, ITT's motor equipment subsidiary based in Frankfurt in Germany.

One of his tasks will be to assess an alliance with Pirelli under terms more acceptable to the German company than the original merger proposal.

The appointment will be confirmed at this evening's meeting of the non-executive supervisory board. This board is headed by Mr Ulrich Weiss, an executive of Deutsche Bank believed to have sought out Mr von Grünberg as an experienced automotive manager who would bring continuity to Continental's business.

Like other world tyre manufacturers, Continental has suffered from price competition at a time of declining vehicle sales.

Pirelli promoted the amalgamation - creating the world's fourth biggest tyre concern — to strengthen their joint production, marketing, and research efforts, and their financial resilience.

Under Mr Urban Continental resisted Pirelli's attempts to combine the two companies' tyre businesses. Since he left, cooperation talks have been pursued, but both sides have kept quiet about progress.

Mr Weiss and Mr Winterstein are expected to give an account of the talks at tomorrow's annual meeting in Hanover, attended by Mr von Grünberg.

Continental, under Mr Urban, rejected the merger terms last September because they would have meant the German company paying a high price to acquire the Italian company's tyre assets, while ceding control to Milan. But with the world tyre industry under pressure, especially in the US, Continental's supervisory board became disenchanted with his opposition.

*This announcement appears as a matter of record only* *June, 1991*

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# Regulator poised to set limit on BAA price rises

By **Paul Betts** in London

THE Civil Aviation Authority is expected to propose a tighter five-year pricing formula for the BAA, the former British Airports Authority, following a report by the Monopolies and Mergers Commission due to be published today.

The commission last month completed its first review of the BAA's London airports – Heathrow, Gatwick and Stansted – since the privatisation of the company in 1987. The new airport pricing formula would come into effect from April next year.

The monopolies body is expected to recommend a tougher pricing formula for the BAA. This would restrict the BAA's ability to raise landing and parking fees at its London airports for the next five years. At present, the increases are limited to the rate of inflation minus one percentage point.

The BAA has been increasingly concerned during the past few months that it would face a tougher five-year pricing formula following the recent experience of other regulated companies. For example, Ofgas, the gas industry regulator, has limited increases at British Gas to 5 percentage points below the inflation rate.

Many observers expect that the Civil Aviation Authority, the UK aviation industry regulator, will propose to limit airport landing and handling price increases to at least 3 percentage points below the retail price index. However, the authority will not make a final decision until October.

The BAA has argued that any new pricing formula for its London airport landing and parking fees – accounting for about 40 per cent of annual income from the three airports – should reflect the company's higher security costs and the threatened loss of European duty free sales after 1992.

The BAA last month reported an 11 per cent increase in pre-tax profits, excluding property provisions, to £284m for its financial year ending March 1991. Including property provisions, pre-tax profits fell from £256m to to £247m.

# Luz stops work on solar power plant

By **Hugh Carnegy** in Jerusalem

LUZ International, the leading commercial producer of solar energy, has had to halt construction of a $300m plant planned to augment its existing solar electricity generators in California due to erosion of the system's financial viability.

The company said it had laid off 250 construction workers at the new plant's Mojave desert site and had given one month's notice to all 350 staff at its Jerusalem subsidiary, Luz Industries Israel, which handles all the group's R&D and engineering.

Luz, founded in 1979 by an American immigrant to Israel, has so far used Israeli technology to build nine solar energy plants for California Edison producing more than 190 megawatts of electricity. Although only about 1 per cent of California Edison's peak supply, the stations are the biggest commercial solar energy operation.

Luz, which last year posted losses after several years in profit, said low world oil prices and diminishing tax concessions for its operations had undermined its ability to compete with other fuel sources.

Tax concessions had been a key factor – along with favourable regulatory conditions, the availability of plentiful sunshine and capital sources – which made California the only place where Luz has been able to operate profitably.

# Crédit Lyonnais acts against Parretti

By **Nikki Tait** in New York

CREDIT Lyonnais, the French bank which lent money to Mr Giancarlo Parretti, the Italian financier, when he acquired the MGM film studios last year, confirmed yesterday that it has decided to activate its voting rights in Pathe Communications Corporation. The move is subject to approval from a Delaware state court.

PCC is Mr Parretti's private company through which the 98.8 per cent stake in MGM-Pathe, the operating company, is held.

Crédit Lyonnais confirmed from Paris that it activated voting rights in MGM-Pathe three weeks ago.

The French bank said that the two moves would give it control – in terms of voting rights – of both companies. This, in turn, could facilitate its aim of negating Mr Parretti's influence on PCC's affairs.

Explaining its latest action, Crédit Lyonnais said that it was designed to provide "further support for the new management of MGM-Pathe, to stop interference by PCC with various MGM subsidiaries, and to prevent continued financial waste by PCC".

Mr Parretti stepped down as chairman and chief executive of MGM-Pathe in April, but Crédit Lyonnais has subsequently claimed that Mr Parretti has consistently interfered with the studio's management and tried to undermine the influence of Mr Alan Ladd, who replaced Mr Parretti as chairman and chief executive.

## Delta Dairy rises

DELTA Dairy, Greece's biggest food company, reported a 72 per cent surge in profits for 1990, due to improved sales of new products and cutbacks in operating costs, Kerin Hope writes from Athens.

Net profits soared to Dr3.44bn ($17.6m) from Dr2bn last year. Turnover increased by 32 per cent to Dr31.57bn. The company plans Dr18bn of capital investment over three years, including construction of two new plants near Athens.

# A marriage that expects other partners

**William Dawkins** reports on the alliance between Sogeti and Daimler-Benz

DAIMLER-BENZ, the German industrial giant, and Sogeti, the French holding company which owns Europe's largest computer services group, have yet to work out the exact terms of their alliance, but the deal will probably go ahead before the end of the summer. The main lines of it are clear.

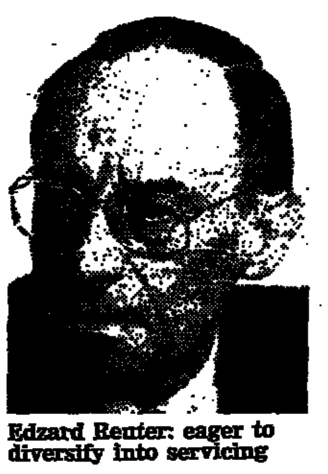
Daimler Benz is to pay around FFr1.3bn ($200m) to FFr1.5bn for a 34 per cent stake in Sogeti, partly through an issue of new capital by the French company and partly by selling existing shares.

Cap Gemini Sogeti (CGS) – Sogeti's 58 per cent owned subsidiary – and Debis System Haus, the recently-formed computer services unit of Daimler-Benz, would in the first instance form a joint venture in Germany and later examine launching joint services elsewhere.

Unlike normal engagements, this one is not exclusive. Both sides are more than willing to see other industrial partners come in later, says Mr Serge Kampf, founder and president of Sogeti.

The partners are responding to the growing competition in the world software industry. Computer-makers such as IBM are diversifying increasingly into systems integration, one of the main businesses of Cap

Serge Kampf: the deal allows him to keep control



Edzard Reuter: eager to diversify into servicing

Gemini Sogeti, the main operating company of Sogeti, attracted by the 15 per cent year growth in demand for software services.

This has contributed to an increase in takeovers and alliances, such as the current battle for control for SD-Scicon, the UK computer company on the receiving end of a takeover bid from Electronic Data Services (EDS) of the US. Mr Kampf said yesterday he saw the deal as an important step in his ambition of lifting CGS from number four to number one in the world computer services league.

Sogeti has been on the look-out for an industrial partner for CGS for the past two years and is still talking to other – unnamed – Japanese and US candidates. Mr Edzard Reuter, Daimler-Benz chairman, has been eager to diversify into computer services, although he has been unwilling to do so through a full acquisition.

For Sogeti, the interest in getting into bed with a German giant is partly financial and partly industrial. The fast-growing French group has spent FFr5.8bn in the past three years on internal investments and acquisitions, including CGS's £199m ($318.4m) acquisition last year of a majority stake in Hoskyns, Britain's largest computer services group, and the £39m takeover of Scientific Control Systems, of Germany.

Until now, Sogeti has managed to finance such deals itself by borrowing from the banks and calling on shareholders. Only last April, Sogeti raised FFr1.1bn in fresh equity, followed by a FFr1.6bn rights issue from CGS.

Mr Kampf is not worried by Sogeti's balance sheet, which currently shows debts at 70 per cent of shareholders' funds. "But we cannot go on at the same rate without opening up the capital," he says. The deal allows him to keep control.

Mr Kampf's control of Sogeti comes through another holding company, Skip, which itself is jointly owned with the group's start-up investors. Skip's stake in Sogeti would fall from 58 per cent to 51 per cent, with Daimler-Benz holding 34 per cent and the rest in the hands of a consortium of French banks.

"We prefer an industrial to a financial investor because as soon as financiers come in they ask under what conditions they can exit," says Mr Kampf.

Debis is about one-third of the size of CGS. The German company, which employs nearly 4,000 people, expects sales of more than DM1bn ($500m) this year, the equivalent of FFr3.4bn. CGS is forecasting a 25 per cent rise in sales to FFr11.5bn this year. Net profits rose last year by 17 per cent to FFr615m on a 30 per cent rise in turnover to FFr9.2bn.

Mr Kampf cautions against likening the deal to the 1984 takeover of EDS by General Motors, the archetypal industrial investment in computer services. For one thing, Sogeti is not for sale. For another, it does not expect, as was the case with EDS and GM, to take over its new partner's in-house computer services, or facilities management in the trade's jargon. Debis already does that, receiving three-quarters of its turnover from Daimler-Benz.

The industrial sense in the deal is that the two sides' skills are roughly complementary. CGS has an extensive European agency network and specialises in systems integration, training, bespoke software and management consultancy, carried out by its sister company, Gemini Consulting Group.

Debis, by contrast, needs to develop outside Germany, and specialises in activities where CGS is hardly present, running internal communications, data processing and packaged industrial software.

# Bull to announce details of NEC accord

By **William Dawkins** in Paris

GROUPE Bull, the French state-owned computer-maker, is today expected to announce the details of its long-awaited accord with NEC, the Japanese electronics group.

Mrs Edith Cresson, the French prime minister, said yesterday the deal would be different from the one originally envisaged, but refused to go into detail. Bull refused to comment beyond confirming that it will make an announcement today.

However, neither the company nor the government denies that the basic outline will be as agreed at a board meeting last month with finance and industry ministry representatives. Then the state gave Bull the green light to transform NEC's 15 per cent stake in Bull HN, the French group's main US subsidiary, into an NEC stake of just under 5 per cent in Groupe Bull.

NEC has been a partner in Bull HN since 1987, when the unit was formed by Bull, Honeywell and the Japanese company from Honeywell's information systems division.

The agreement is crucial to the efforts of Mr Francis Lorentz, Bull chairman, to sweep away loss-making Bull's present untidy structure, with its overlapping functions and duplicated costs, and replace it with a single group. In the process, the talks with NEC have become a test case of French industrial policy under Mrs Cresson, well known for her mistrust of Japanese business practices.

"Above all, such an agreement must not prevent Bull from forming other alliances, which is a very important point," said Mrs Cresson, who has repeatedly stressed that a link-up with another European computer group would be desirable.

Her statement suggests that a change in wording has been agreed to accommodate her anxieties. Bull distributes NEC's top-of-the-range computers in Europe and produces operating software for the NEC machines concerned. Bull earns 5 per cent of its turnover from this activity and is NEC's main entry to the west for big machines.

The government has also been anxious not to allow NEC, or any other private company, erode the state's control of Bull.

# IFIL buys 6.5% stake in French holding company

By **Haig Simonian** in Milan

IFIL, one of the main holding companies of Italy's Agnelli family, is paying around L120bn ($88m) for 6.5 per cent of Saint Louis, the French industrial holding company which specialises in the foods sector.

The purchase follows last September's deal between IFIL and Groupe Worms, the French financial concern, in which the Italians paid L260bn for a 7.4 per cent holding in Pechelbronn, the main holding company of the French group.

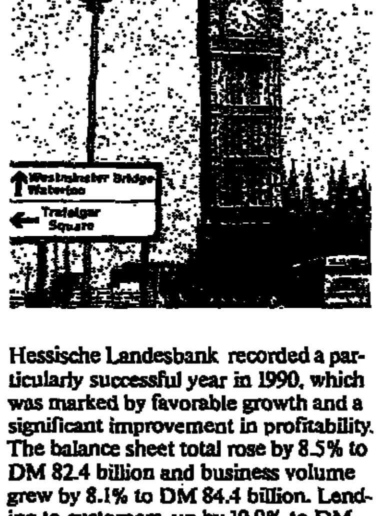
At the time of the deal, there were signs that IFIL might develop its links with Worms as part of its strategy of diversifying its investments and developing more business abroad.

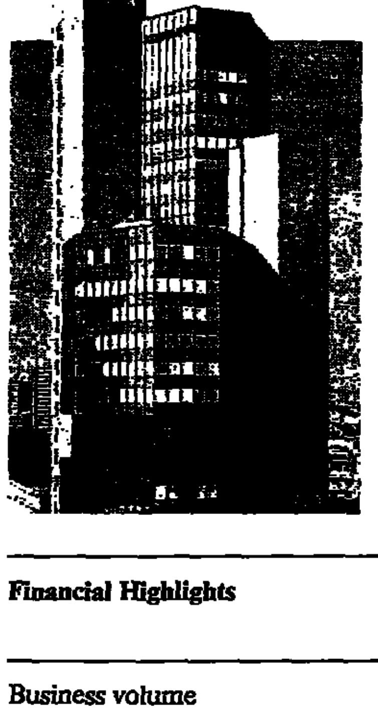
Saint Louis, which is quoted on the Paris Stock Exchange, is 35 per cent owned by the Worms group and had net group profits of FFr707m ($113.84m) last year.

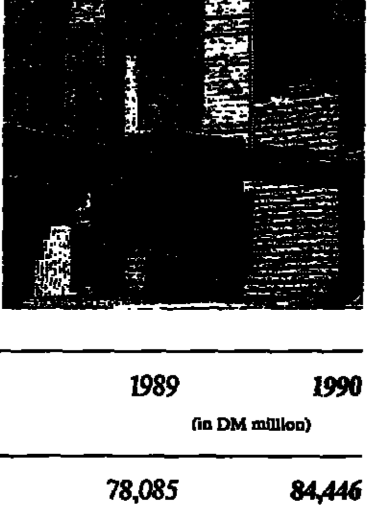
The latest step is part of IFIL's strategy of reinforcing its holdings in the food and hotel sectors. Among Saint Louis's activities are interests in sugar and ready meals, as well as in the paper business.

The acquisition will reinforce IFIL's position in France, where it already has 5.4 per cent of the foods group BSN. According to IFIL, the latest investment will further consolidate its position in the foods business and open the door to developing new areas of activity in Europe.


## Results that strengthen us for the future





Hessische Landesbank recorded a particularly successful year in 1990, which was marked by favorable growth and a significant improvement in profitability. The balance sheet total rose by 8.5% to DM 82.4 billion and business volume grew by 8.1% to DM 84.4 billion. Lending to customers, up by 10.9% to DM 35.1 billion, was the key to growth. As a result of an above-average increase in income from ordinary operations with a modest rise in ordinary expenses, partial operating profit increased by 44.6% to DM 162.5 million.
Out of net income of DM 46.5 million, DM 20 million was allocated to the revenue reserves. After extensive risk provisions and income taxes, the remaining distributable income of DM 26.5 million will, as in the past, be used to pay a net dividend of 5%. Including capital from profit-participation certificates of DM 265 million, Helaba's total capital and reserves, including unchanged share capital of DM 530 million, now amounts to DM 1,711 million.

| Financial Highlights | 1989 | 1990 |
|---|---|---|
| | (in DM million) | |
| Business volume | 78,085 | 84,446 |
| Balance sheet total | 75,964 | 82,395 |
| Total credit volume | 56,799 | 60,762 |
| Customer loans | 31,682 | 35,125 |
| Partial operating profit | 112 | 162 |
| Capital and reserves | 1,691 | 1,711 |
| Distributable income | 26 | 26 |

**Helaba Frankfurt**
Hessische Landesbank -Girozentrale-

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| Jotter/Calculator Wallet | JC | | 19.80 | | 17.30 | | 17.10 | | 17.55 | |
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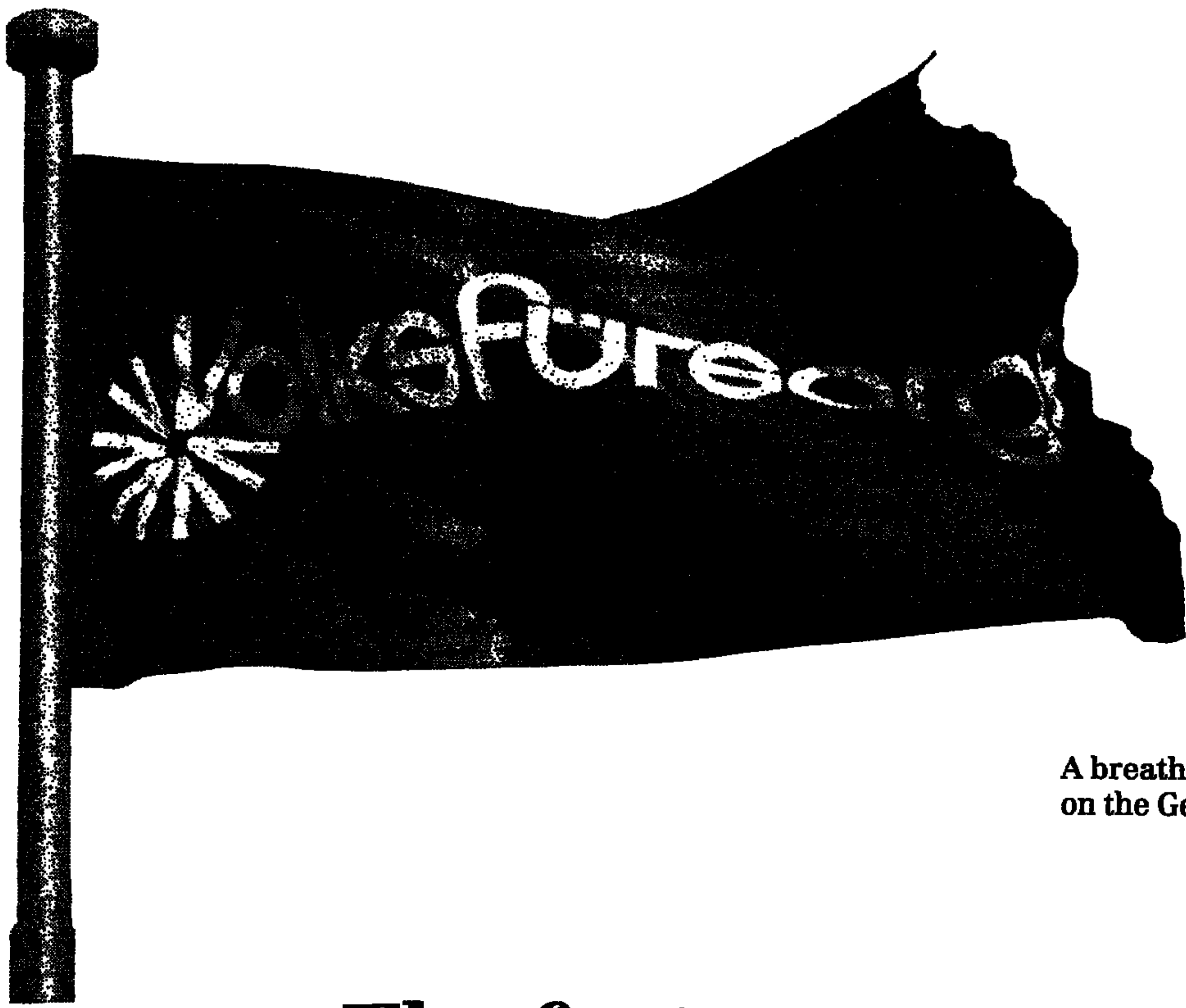


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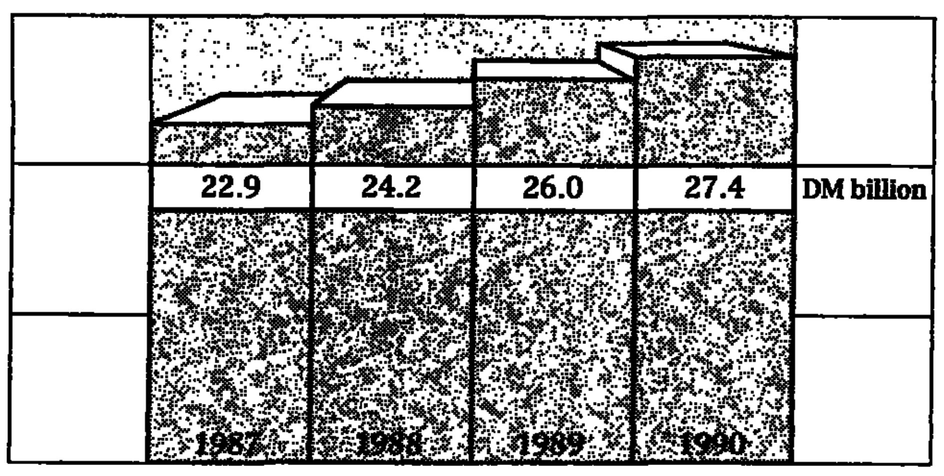


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## EBC Amro Traded Currency Fund Limited

**NOTICE of the SEVENTH ANNUAL GENERAL MEETING of Shareholders to take place on the 2nd day of August, 1991 at 11 am.**

NOTICE is hereby given pursuant to the Articles of Association of EBC Amro Traded Currency Fund Limited ("the Company") that the Seventh Annual General Meeting of the Company will take place on the 2nd day of August, 1991 at 11 am at EBC House, 1-3 Seale Street, St. Helier, Jersey, Channel Islands for the purposes of considering and if thought fit, passing the following Ordinary Resolutions:

Resolutions

1. That the Financial Statements for the period ended 31st March 1991 together with the Report of the Directors and the Auditors thereon be received, approved and adopted.
2. That Messrs. Coopers & Lybrand who have signified their willingness to continue in office be and are hereby appointed the Auditors of the Company for the ensuing year and that the fee payable to them in respect of the year to 31st March, 1992 be determined by the Directors.

By order of the Board
EBC Trust Company (Jersey) Limited
Secretary

Dated the 9th day of July, 1991

NOTES
1. The holder of a Continental Depositary Receipt ("CDR") may exercise his voting rights by depositing the CDR at the office of Amsterdam Depositary Company N.V., 172 Spuistraat, 1012 VT Amsterdam, The Netherlands (the "Depositary") and by instructing the Depositary as to the exercise of the voting rights attached to the Shares evidenced by such CDR. In the absence of such instructions, the Depositary will exercise such voting rights or refrain from doing so, as it thinks fit in the interests of the holder.
2. There are no service contracts with the Directors.

## VOLKSWAGEN AG
Wolfsburg

**Payment of Dividend**

Notice is hereby given to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 4th July, 1991 a dividend for the financial year ended 31st December, 1990 will be paid, as from 5th July, 1991, at the rate of DM 11.00 per ordinary share of DM 50 nominal value against presentation of coupon No. 30 and DM 12.00 per preferred share of DM 50 nominal value against presentation of coupon No. 5.

All payments will be subject to a deduction of German tax at a rate of 25 per cent. and a "solidarity contribution" of 7.5% on this amount and, in the absence of evidence as to the recipient's non-residence in the United Kingdom, a further deduction of United Kingdom income tax at a rate of 10 per cent.

Coupons should be lodged with: –

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from whom appropriate claim forms can be obtained.

Coupons will be paid at the rate of exchange on the day of presentation.

Under certain conditions, shareholders residing in the United Kingdom can claim a partial refund of the deducted German tax and the "solidarity contribution" in accordance with the double taxation treaty between the United Kingdom and Germany. The German tax and the "solidarity contribution" chargeable in accordance with that treaty is treated as a credit and can be set against the income tax liability of a shareholder resident in the United Kingdom. The Company's United Kingdom paying agent will, upon request, provide shareholders or their agents with the appropriate form to enable a refund request to be made to the German taxation authorities.

Wolfsburg, July 1991 — The Board of Management

U.S. $100,000,000

TNT

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NOTICE TO HOLDERS OF

Bearer Warrants to subscribe for shares of common stock of

**SEKISUI HOUSE, LTD.**

in conjunction with

**U.S. $300,000,000 3-7/8 per cent. Guaranteed Bonds Due 1991 (the "1991 Warrants")**

**U.S. $300,000,000 4-3/4 per cent. Notes Due 1992 (the "1992 Warrants")**

Pursuant to Condition 7 of the Terms and Conditions of the 1991 Warrants and Clause 4(B) of the Instrument dated 13th November, 1986, under which the 1991 Warrants were issued, and pursuant to Condition 7 of the Terms and Conditions of the 1992 Warrants and Clause 4(B) of the Instrument dated 26th August, 1988, under which the 1992 Warrants were issued, notice is hereby given as follows:

1. At meetings of the Board of Directors of the Company held on 11th June, 1991 and 18th June, 1991, the Company resolved to issue U.S. Dollar Bonds with Warrants and Deutsch Mark Bonds with Warrants on 27th June, 1991, Japan time.
2. As a result of the above transaction, the current subscription prices for the respective Warrants were adjusted effective as from 27th June, 1991, Japan time. The subscription price in effect for the 1991 Warrants prior to such adjustment is Yen 1,248.80 per Share and the adjusted subscription price is Yen 1,242.50 per Share. The subscription price in effect for the 1992 Warrants prior to such adjustment is Yen 1,576.30 per Share and the adjusted subscription price is Yen 1,568.30 per Share.

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## INDIA

The FT proposes to publish this survey on
5 September 1991
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FT SURVEYS


# Commonwealth flotation values bank at A$4.5bn

**By Mark Westfield, in Sydney**

AUSTRALIA'S biggest share issue got under way yesterday when the government-owned Commonwealth Bank announced the A$1.34bn (US$1.02bn) flotation of 29.75 per cent of its capital. The flotation values the bank at A$4.5bn.

This places the Commonwealth in the top 10 companies listed on the Australian Stock Exchange, behind rivals the National Australia Bank and Westpac, but ahead of the ANZ Bank in terms of capitalisation.

In the three weeks since a draft prospectus was circulated to institutional sub-underwriters, however, the bank has decided to clip the share issue price from A$5.60 to A$5.40. This was in response to early veiled criticism that the float was "fully priced". This compares with estimated net tangible asset backing of A$5.86.

The prospectus, released yesterday, puts after-tax profit for the year to June 30 at A$253m, well down on the A$494m for 1990. Earnings deteriorated sharply in the second half, with net profit to June 30 adding only A$44m to first-half earnings of A$209m.

The float prices the bank at 16.6 times depressed 1991 earnings, and about 8.2 times brokers' forecasts for 1992 net profit. Analysts are expected to trim their earnings projections for 1992, given the poor result for the 1991 second half.

Launching the float yesterday, Mr Don Sanders, managing director, said loans on which no interest was being received were likely to rise 25 per cent to A$3.25bn for the past year. Bad and doubtful debt provisions would increase to a minimum of A$950m.

The prospectus does not make a prediction for 1992 earnings, referring only to positive and negative factors which will affect profits.

The float has received a cautious reception from fund managers, indicating that the shares will be taken up mostly by small investors. Mr Sanders estimated that up to 56 per cent of the 239.3m shares to be issued would go to non-institutional investors. Bank staff would be allotted another 9m shares at a 10 per cent discount.

An analyst with Bankers Trust Australia, Mr Martin Duncan, said the attractiveness of the float depended on assumptions of 1992 earnings. It was "finely priced".

Investors must take a minimum of 400 shares, worth A$2,160. Individual shareholdings are limited by legislation to 5 per cent of the capital. The offer is open to Australian residents only, but overseas investors will be able to buy the shares when they are listed on September 12.

# Lac sweetens bid for rest of Bond business

**By Bernard Simon in Toronto**

PROTESTS by minority shareholders and an independent valuation have led Lac Minerals, the Toronto-based gold producer, to sweeten its bid for the 35 per cent of Bond International Gold (BIG) which it does not already own.

Lac said yesterday it would now offer minority shareholders 0.71 of a Lac common share for each BIG share, compared with an exchange ratio of 0.53 proposed last February. Lac currently holds 64.7 per cent of BIG's 57.6m outstanding shares.

Based on last week's share prices, the revised terms mean that Lac will pay a premium of almost US$1 on BIG's prevailing price of $5.50. The original offer implied no premium on market prices, and was strongly criticised by mining analysts as well as some of BIG's large institutional shareholders. BIG's shares bounced up on the New York Stock Exchange early yesterday to just above $6.

The new terms are supported by an independent committee of BIG directors, and the New York investment bank Goldman Sachs. A shareholders' meeting to approve the deal will be held on August 20. Approval is required from a majority in number of BIG's minority shareholders, representing three-quarters of the value of the minority shares.

Lac paid US$374m, or US$10 a share, in November 1989 to buy its interest in BIG, which was previously controlled by Mr Alan Bond, the fallen Australian entrepreneur. Lac has also taken over day-to-day management control of BIG.

According to Toronto securities firm Bunting Warburg, the two companies will produce just over 1m ounces of gold this year, making the combination one of North America's biggest producers. Average production costs will be $245 an ounce.

BIG is expected to be the main source of Lac's earnings growth over the next year or two. The bulk of BIG's profits come from its 83 per cent interest in the El Indio mine in Chile, which will produce about 215,000oz of gold and 60-70m lbs of copper this year.

# Shareholder withdraws legal action against BIL

**By Terry Hall in Wellington**

BRIERLEY Investments has agreed to pay the costs of an international court action brought by a dissident shareholder who has agreed not to proceed with his attempt to get a higher offer for Industrial Equity Pacific shareholders.

The shareholder, Auckland lawyer Mr Peter Cockle, took the action in the Hong Kong, Australian and New Zealand courts, which led to the international suspension of IEP shares and the blockage of the takeover, which was agreed by the shareholders in May. The suspension has now been lifted.

Mr Cockle said yesterday the decision not to proceed came down to cost. The full cost of the High Court action was around NZ$100,000 (US$56,818) and an appeal was likely to cost twice that. He still believed he had grounds for an appeal.

Last week, the Hong Kong Supreme Court rejected Mr Cockle's objection to the scheme. However, his application for an appeal was accepted. Had the action continued, the takeover would possibly not have been completed before January, and the legal action would have made it difficult for BIL to complete its accounts for the June 30 year and acquire an unqualified auditors' report.

Mr Cockle said that BIL had agreed to pay the costs of the court actions in return for his agreement not to appeal. BIL's secretary, Mr Mark Horton, said the deal was not an acknowledgment that BIL believed the shareholders might win the appeal. He said BIL had won every previous hearing in the case.

IEP shareholders will now receive three new Brierley shares for every two IEP shares, effective from last Friday. IEP has asked the Hong Kong, Australian and New Zealand stock exchanges to withdraw the listing of IEP shares, which are currently suspended.

# UK bank in S Africa move

**By Philip Gawith in Johannesburg.**

STANDARD Chartered, the UK bank, is to open an office in South Africa, four years after it withdrew its investments from the country. It will be the first British bank to return.

The bank will open a representative office in Johannesburg on August 1.

Robert Fleming Holdings, the UK merchant bank, also plans to open an office in South Africa and said it hoped to be offering the full range of merchant banking services by the end of the year.

In recent months, numerous other international bankers – including S.G. Warburg and Hambros – have been assessing opportunities in South Africa. Morgan Grenfell is also known to be considering a move into the country.

Standard Chartered said its office is being set up specifically to capitalise on improved trade prospects between South Africa and the rest of the continent, where the bank has offices in 14 other countries.

The bank was a significant lender to South Africa before it pulled out, and had $809m of outstanding loans to the country at the end of last year. The Johannesburg operation will be directed by Mr Mel Balloch, head of the trade finance division.

Robert Fleming's South African operation will be run by Mr Adam Fleming, a director of the holding group.

# Bold desires of a tabloid revealed

## Karen Zagor looks at moves by the Enquirer/Star Group, the US newspaper publisher, to raise money for expansion

WHICH newspaper would send a reporter on an all-expenses-paid trip to Memphis, Tennessee to stake out Graceland for signs of Elvis's ghost? The same paper that thrilled the US by publishing a picture of Elvis – in his coffin – on the front page, and in another issue, sabotaged Gary Hart's presidential aspirations by publishing pictures of Donna Rice sitting on the married senator's knee.

The National Enquirer is the leading purveyor of American-style tabloid journalism, complete with bright colour and celebrity gossip. More a source of salubrious gossip than the salacious, the National Enquirer is hoping to carve out a niche among the tabloids in the UK, where it has been on sale for less than a month.

The UK launch is just one of the Enquirer's brave new plans. It is also hoping to reduce its links to Mr Rupert Murdoch's News Corporation, which received $200m of preferred shares and $200m in cash in 1990 when the Enquirer's parent company, G.P. Group, bought another US tabloid, The Star, from News Corporation.

The company, which is changing its name to Enquirer/Star Group, is raising the $183m to buy back about 80 per cent of its convertible preferred stock through an initial public offering which will place about 43 per cent of the company on the market. Enquirer/Star Group, which is owned by Macfadden Holdings in partnership with Boston Ventures, will offer 20.5m shares of its class A voting common stock priced at $16 to $18 by the end of July, provided it receives approval from the US Securities and Exchange Commission.

The remainder of the expected $350m in proceeds will be used to cut long-term debt, launch new titles and expand circulation of the National Enquirer overseas.

After the offering, Boston Ventures will be the biggest common stock holder with a 26.6 per cent stake; Macfadden will hold 17.7 per cent; and Enquirer/Star management will hold 4.1 per cent.

It would seem a peculiar time for a publishing company to go public. The recession and an advertising slump have toppled a number of publishing empires and battered newspaper profitability throughout the US. However, Enquirer/Star, whose three publications – the Enquirer, The Star and the Weekly World News – have combined weekly sales of 7.6m, has an unusual revenue base.

Most publications are heavily dependent on advertising, but about 82 per cent of the Enquirer/Star's revenues come directly from sales. The papers are also free from the burden of home delivery costs. Instead, they are sold at supermarket check-out counters.

The company's DSI subsidiary employs a large field staff who arrange the placement of the publications in racks at checkout counters. DSI, which also provides such services for magazines such as Cosmopolitan and Elle, plans to expand by providing placement for other publishers and manufacturers.

The expansion and the stock offering reflect the aggressive style of Mr Michael Boylan and Mr Peter Callahan, who have run the paper since 1989, when Macfadden and Boston Ventures joined forces to buy the Enquirer and Weekly World News for $412.5m, after a battle with Mr Robert Maxwell and Hachette for the titles.

The Enquirer's 63-year history is almost as odd as the publication itself. It was started by the Hearst newspaper chain as the New York Enquirer, a weekly broadsheet which focused on horse racing and crime stories.

Its transformation began in 1952 when Mr Generoso Pope acquired the Enquirer for $75,000, turning it into a tabloid with a taste for the gruesome and the bizarre. During the 1960s its distribution grew and the Enquirer become more of a gossip sheet.

By most standards, Mr Pope was an eccentric proprietor. According to Mr Ray Smith, the reporter on the Elvis ghost story who now works for the Toronto Sun, each year Mr Pope would send an executive to Oregon in search of an enormous tree, which was then sent by train to Florida and decorated with expensive baubles. "God doesn't make Christmas trees like Gene Pope," was part of the company lore.

Mr Pope, an engineer by training, was also famous for measuring the lawn every day at the Enquirer's Florida headquarters to make sure it was always four inches high.

The paper attracted stories and reporters with generous salaries and fees. "When I worked there, they paid $100 a week more than any other paper in North America. But they demanded $200 a week more work. It's the only paper I know where the reporters have swimming pools in their back yards and drive Porsches."

Mr Pope was more interested in enjoying his empire than squeezing huge profits from his publications. "I can only eat one hamburger at one time," was one Pope proverb.

By all accounts, the new regime is hungrier than Mr Pope. Freelance fees have gone down and ad rates and newsstand prices have gone up. Television advertising was stopped and staffing levels reduced. The new management believes it has saved the company about $20m annually.

The Enquirer and its sister publications helped GP Group post operating income of $86m in the year ended March 25 on revenues of $240.9m. But the company's hefty tax burden and interest expenses pushed it into the red for the year, with a net loss of $6.3m.

The cutbacks can only go so far. The paper still gets its reporters and stories by throwing money at them – its annual editorial budget is about $16m. "Money or revenge are the two main reasons people talk to the Enquirer," said one reporter.

In spite of its penchant for gossip, there has been only one successful in-court suit against the Enquirer, when American television star Carol Burnett won a 1976 court case, although it is believed that many others have been settled before they reached court.

In May, Elizabeth Taylor received an undisclosed amount of money and an apology from the paper in an out-of-court settlement of a $20m lawsuit which charged the tabloid with tormenting and libelling the actress when she was seriously ill.

"The paper is very careful about getting sources and speaking to people on the record," said one reporter. "I wouldn't believe everything I read in the Enquirer, but I'd know that someone said it."

The UK, with its glut of established tabloids, may be a difficult market to crack. The Enquirer will not change its contents for foreign markets, and hopes to attract UK readers by its more international scope.

People magazine, however, one of the Enquirer's main competitors in the US, is believed to have avoided the UK because of the competition. "There are so many magazines and tabloids that already do what we do, there's just no room," said an insider.

# Iberia forces revision of Aerolíneas deal

**By John Barham in Buenos Aires**

Domingo Cavallo

MR DOMINGO Cavallo, Argentina's economy minister, and representatives of Iberia, the Spanish airline, have reached a final agreement on payment for 85 per cent of Aerolíneas Argentinas, eight months after the national carrier was privatised.

Iberia and its Argentine partners, the only group to make an offer for Aerolíneas, have forced the government to accept two revisions of the original contract. The Iberian consortium is estimated to have saved about $200m through the various renegotiations. However, the chances are that wrangling between the two sides will continue for some time yet.

Originally, Iberia and its partners were to pay $1.61bn in foreign debt certificates, plus $130m in cash and a further $130m in deferred payments. However, the privatisation, dogged from the outset by disagreement with the government and by bitter disputes within the consortium, began running into difficulties when the buyers refused to pay.

The refusal stemmed from claims that the government owed them about $150m for inventory shortfalls discovered after they took control of the company and for honouring tickets sold by Aerolíneas before its privatisation.

In April, the two sides signed a "definitive" agreement in which all payments would be telescoped in two instalments, to be settled in May and in June. On each occasion, Iberia and its partners presented the government with a new and longer list of demands.

An Argentine executive commented: "The Spaniards have exploited every opportunity to their advantage. They know the government cannot afford to let the privatisation lapse because it does not have the money to give back."

Under the new accord, Mr Cavallo has recognised $173m in liabilities and agreed to offset them against the $770m in foreign debt certificates the buyers were to have submitted last week. Instead, they will pay $210m in foreign debt certificates in two tranches.

The certificates are worth about one-third of their face value on the secondary market.

However, the government has said it would take three months to check the validity of all the consortium's claims. It will only release the 86 per cent of Aerolíneas equity it still holds in October, after each liability has been identified and cancelled.

# Taiwan to sell stake in BES Engineering

TAIWAN plans to sell its 51 per cent stake in BES Engineering to the public within one year as part of its drive to privatise state enterprises, the Commission of National Corporations announced yesterday, Reuter reports.

Mr Wang Chung-yu, a spokesman for the commission, said the government had asked BES Engineering to assess its total assets in preparation for listing on the Taiwan Stock Exchange in March 1992.

"The sale of BES Engineering will set an example for our drive to privatise state firms because the public offer of 51 per cent will automatically turn the company over to private hands," Mr Wang said.

The spokesman added that the commission had selected 20 government-controlled enterprises to be privatised, but the process would be slow because of red tape and opposition from some interest groups and workers who feared losing jobs after privatisation.

A BES official said more share sales would be launched after the first offer of 51 per cent. About 80 per cent of the company is expected to be sold eventually.

BES Engineering, capitalised at T$3.3bn (US$122.35m), posted revenues of T$11.4bn in 1990. The company was involved in a range of construction projects, including highways, ports and offices.

Japanese companies are expected to be interested in buying the BES Engineering shares as a means of gaining a bigger share of construction projects in Taiwan. The country this year launched a new six-year economic plan.

Foreign companies are limited by law to acquiring only about 10 per cent of local public concerns. Under Taiwanese law, a public company only becomes private when the government stake is 49 per cent or less.

# Pan Am sees progress on talks

**By Nikki Tait in New York**

ATTEMPTS to find a solution to the problems of Pan Am, the cash-strapped US airline which filed for Chapter 11 bankruptcy protection, seem likely to crystallise in the near future.

Pan Am said yesterday that it did not expect the process of solving its long-term future "to last much longer", although the airline denied that any deadlines had been set for this week.

The airline has been engaged in active discussions with various potential acquirers and financial backers in recent weeks.

Delta Airlines, one of the larger and stronger US carriers, has made clear that it would like to buy Pan Am's east coast shuttle operation together with its Frankfurt hub and associated routes. The two companies met for talks last week, but Delta said that these discussions had proved inconclusive.

There have also been reports that United Air Lines, based in Chicago and one of the two biggest US carriers, would like Pan Am's Latin American routes.

USAir yesterday declined to comment on whether it, too, might be among the interested parties.

Mr Jay Pritzker, the Chicago-based business executive, has also had discussions with Pan Am.

Pan Am says that it has been encouraged about current business levels, suggesting it will be profitable over the summer months. But there are also suggestions that the airline will need to find a solution to guarantee its long-term future before the arrival of the winter season, when air traffic is generally lighter.

# US insurer hit by $62m award

A CALIFORNIA court has levelled a hefty $62m award against two of the insurance exchanges managed by Farmers Group, the Los Angeles-based insurance subsidiary of Britain's BAT Industries, writes Nikki Tait.

The bulk of the award concerns punitive damages resulting from the failure of the insurance exchanges to pay some $2m of legal costs incurred by Marmac Corporation of California.

The engineering company held a general liability policy with Farmers, and ran up the costs in defending itself against a shareholder lawsuit.

Farmers said that the substantial award would be appealed.

BAT, meanwhile, said that even if the award was upheld by the appeals court in total or in part, there would be no impact on Farmers Group itself. It said that losses incurred by the exchanges would not appear on to the management company's balance sheet or earnings. BAT added that a portion of any award would also be covered by reinsurance arrangements.


**MITSUI MARINE & FIRE INSURANCE COMPANY LTD**

Notice to E.D.R. Holders
(one depositary share comprising 10 ordinary shares of Yen 50 each)

Hambros Bank Limited announces that Coupon No: 24 representing the dividend on the underlying shares for the year ended 31st March 1991 is payable as from 9th July 1991 at the rate of US$0.30 per Depositary share less Japanese taxes as applicable and may be presented for payment at their Customer Relations Department, 41 Tower Hill, London EC3N 4HA or at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg.

Coupons presented to Hambros Bank Limited must be listed on the special listing forms, which may be obtained at their Customer Relations Department and when applicable U.K. Income tax will be deducted at the rate of £0.10p in the £ on the gross amount of the dividend before deduction of Japanese Withholding tax.

Hambros Bank Limited
9th July 1991

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As of June 30, 1991, the unconsolidated net asset value was USD 279,624,841.30 i.e. usd 508.41 per share of USD 200 par value.

The consolidated net asset value per share amounted as of June 30, 1991 to USD 519.92.

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 8th July 1991 to 7th January 1992 has been fixed at 6·70% p.a. The coupon amount payable on 7th January 1992 will be US$ 34,057·22 per US$ 1,000,000 Note.

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London — Agent Bank

# INTERNATIONAL CAPITAL MARKETS

## Short Treasuries lifted by fears for BCCI and Japan

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices were mixed in light trading yesterday morning, with the long end weaker but shorter-dated paper firmer on concern about the outlook for equities.

By midday, the benchmark 30-year government bond was down ⅛ at 95⅞, yielding 8.506 per cent. The two-year note, however, was up 1/16 at 100, to yield 6.982 per cent.

The strength in two-year prices stemmed from the weakness in US stocks which had been triggered by overnight losses in Japanese equities, and anxiety about the impact on the international banking system of Friday's seizure of the Bank of Credit & Commerce International by monetary authorities. Short-term Treasury securities are traditionally regarded as a safe haven for cash, and do well in times of crisis.

In the credit markets the Federal Reserve added reserves to the banking system by arranging three-day system repurchase agreements in an attempt to soften the Fed funds rate, which in recent days has been holding above the Fed's target of 5¾ per cent. By noon yesterday, Fed funds were trading at 5⅞ per cent.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 12.000 | 11/01 | 105.8060 | -0.319 | 11.04 | 11.06 | 11.13 |
| BELGIUM | | 10.000 | 08/00 | 102.8500 | - | 9.54 | 9.37 | 9.19 |
| CANADA * | | 9.750 | 06/01 | 98.1000 | -0.175 | 10.05 | 10.08 | 9.85 |
| DENMARK | | 9.000 | 11/00 | 97.7500 | -0.150 | 9.35 | 9.26 | 9.13 |
| FRANCE | BTAN | 9.000 | 02/96 | 98.6892 | +0.072 | 9.33 | 9.22 | 9.09 |
| | OAT | 9.500 | 01/01 | 101.7800 | +0.260 | 9.19 | 9.10 | 9.09 |
| GERMANY | | 8.375 | 05/01 | 98.7000 | - | 8.57 | 8.51 | 8.36 |
| ITALY | | 12.500 | 03/01 | 97.6400 | -0.050 | 13.35 | 13.41 | 12.90 |
| JAPAN | No 119 | 4.800 | 06/99 | 87.7487 | -0.042 | 7.22 | 7.18 | 7.16 |
| | No 129 | 6.400 | 03/00 | 97.8654 | -0.134 | 6.79 | 6.75 | 6.73 |
| NETHERLANDS | | 8.500 | 03/01 | 97.9200 | -0.030 | 8.82 | 8.61 | 8.64 |
| SPAIN | | 11.900 | 07/96 | 100.2250 | +0.075 | 11.82 | 12.02 | 11.89 |
| UK GILTS | | 10.000 | 11/96 | 98-29 | -01/32 | 10.26 | 10.46 | 10.42 |
| | | 10.000 | 02/01 | 98-08 | -09/32 | 10.29 | 10.49 | 10.52 |
| | | 9.000 | 10/08 | 91-22 | -12/32 | 10.02 | 10.17 | 10.19 |
| US TREASURY * | | 8.000 | 05/01 | 97-24 | +00/32 | 8.34 | 8.27 | 8.29 |
| | | 8.125 | 05/21 | 95-28 | -04/32 | 8.51 | 8.45 | 8.49 |

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

### GOVERNMENT BONDS

■ JAPANESE government bond prices fell yesterday following the slide in the stock market and worries about the yen-dollar exchange rate.

Traders said the Ministry of Finance announcement that the Big Four securities houses would be punished for improperly covering client losses came too late to affect the bond market.

Volume in the market was very low at Y328bn compared with a daily volume of Y1,000bn recently. The yield on the benchmark No 129 bond opened at 6.76 per cent, compared with 6.765 per cent at Friday's close, and finished the day at 6.785 per cent in Tokyo.

■ LONG-dated UK government bond prices slipped yesterday as some investors moved into short-dated gilts.

The market was quiet ahead of the June producer prices, due out today, and the Retail Prices Index for June, which is due out on Friday. If these figures show the inflation rate falling, traders believe the Bank of England may cut the base rate this week, provided sterling remains strong and as long as the Bundesbank does not raise interest rates.

The 11¾ per cent gilt due 2003/07 opened at 109⅞ and fell to 109 25/32 by late afternoon, while short-dated gilt prices barely changed on the day, traders said.

■ SPECULATION that the Bundesbank will raise interest rates at this Thursday's council meeting dominated the German government bond market yesterday.

Short-dated bund prices fell early in the day as traders reported heavy selling by Japanese investors. One trader indicated that some Japanese banks were liquidating their European bond portfolios because of concern over their capital adequacy requirements.

However, bund prices picked up during the day, and the Liffe bund futures contract, which opened at 84.10, traded at 84.37 by late afternoon.

Bund prices have been weak recently due to worries about rising inflation, the introduction of new indirect taxes, and the possibility that the Bundesbank will raise interest rates.

■ DUTCH government bond prices slipped as traders noted heavy selling of the bonds by foreigners, including the Kuwait Investment Company (KIC), a part-government owned investment house which is thought to have sold about Fl 100m of bonds.

## Portuguese bank sale due today

By Patrick Blum in Lisbon

THE first phase of privatisation of the Banco Espirito Santo e Comercial de Lisboa (BESCL), Portugal's second largest commercial bank, will take place today with the sale of 40 per cent of its capital.

The Grupo Espirito Santo (GES), the financial holding company of the Espirito Santo family, is widely expected to secure a big portion of the bank which was the family's business flagship before its nationalisation in 1975. BESCL has been valued at about $1bn.

The sale of 16m shares, culminating in a special session of the Lisbon Stock Exchange, is split into several tranches with a starting price of Es3,500 per share for general investors and lower prices for shares reserved for employees, small Portuguese investors, emigrants and holders of the bank's participation certificates.

Foreign investors are allowed to buy up to 5 per cent of the privatised shares, representing 2 per cent of the bank's capital.

### FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:20 pm on July 8

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 101½ | 102 | -⅛ | 7.92 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 103 | 103¼ | -⅛ | 8.49 |
| AUSTRIA 8 1/2 00 | 400 | 97¼ | 98¼ | -⅛ | 8.87 |
| BANK OF TOKYO 8 3/8 96 | 100 | 98⅝ | 98⅞ | -⅛ | 8.79 |
| BELGIUM 9 1/8 92 | 400 | 101¼ | 102¼ | -⅛ | 7.49 |
| BFCE 7 3/4 97 | 150 | 97½ | 98 | -⅛ | 8.31 |
| BNP 8 5/8 94 | 300 | 101¼ | 101⅝ | -⅛ | 8.14 |
| BP CAPITAL 9 5/8 93 | 150 | 102⅝ | 103⅛ | -⅛ | 7.84 |
| CANADA 9 96 | 1000 | 102⅝ | 103 | -⅛ | 8.27 |
| CARCO 9 1/4 96 | 650 | 99⅞ | 100⅜ | -⅛ | 9.27 |
| [illegible] | | | | | |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| BAYERISCHE VEREINS INT 7 94 LFr | 600 | 94⅛ | 95¼ | | 9.25 |
| KREDIETCORP 7 93 LFr | 1000 | 96 | 97 | | 9.18 |
| WORLD BANK 8 96 LFr | 1000 | 96¼ | 97¼ | | 8.85 |
| AMRO BANK 6 1/4 92 Fl | 150 | 96⅛ | 97⅛ | +⅛ | 9.59 |
| RABOBANK 5 3/4 93 Fl | 150 | 94½ | 95¼ | -⅛ | 9.47 |
| ALBERTA PROVINCE 10 92 C$ | 500 | 100¼ | 100⅝ | | 9.72 |
| BCE INC 9 5/8 93 C$ | 300 | 99¼ | 99⅝ | | 10.13 |
| BELL CANADA 10 5/8 99 C$ | 150 | 97⅝ | 98¼ | -⅛ | 11.06 |
| BRITISH COLUMBIA 9 1/4 93 C$ | 150 | 98¾ | 99¼ | | 10.04 |
| EIB 10 1/8 98 C$ | 130 | 98¾ | 99½ | -⅛ | 10.37 |
| [illegible] | | | | | |

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| [illegible] | | | | | |
| CREDIT FONCIER 5 1/4 94 | 20000 | 94 | 94½ | +⅛ | 7.26 |
| DENMARK 7 95 | 40000 | 99¼ | 100 | | 7.06 |
| EIB 4 5/8 94 | 40000 | 93¼ | 94 | | 7.14 |
| GENERAL ELECTRIC 5 3/4 93 | 35000 | 97¼ | 97⅝ | +⅛ | 7.56 |
| INTER AMER DEV 7 1/4 00 | 30000 | 101⅝ | 101⅝ | | 7.03 |
| ITALY 5 3/4 92 | 150000 | 99⅛ | 99½ | +⅛ | 6.97 |
| KANSAI ELEC PWR 4 5/8 94 | 60000 | 93¼ | 93½ | | 7.36 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 95¼ | 95⅝ | | 6.99 |
| NORWAY 5 1/8 95 | 50000 | 93¼ | 94 | | 7.08 |
| SWEDEN 5 5/8 95 | 20000 | 94½ | 95¼ | | 7.10 |
| WORLD BANK 6 3/4 00 | 50000 | 99 | 99¼ | | 6.90 |

| CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem |
|---|---|---|---|---|---|
| [illegible] | | | | | |
| INTL PAPER 5 3/4 02 | 200 | 68⅛ | 107½ | 108¾ | +1.80 |
| LAND SECS 6 3/4 02 £ | 84 | 6.72 | 82 | 83 | +14.32 |
| MITSUBISHI BK 1 3/4 02 | 300 | 2727.1 | 97¼ | 98¾ | -2.46 |
| OGDEN 6 02 | 85 | 39.077 | 70 | 71 | +40.28 |
| PACIFIC DUNLOP 6 3/4 97 | 75 | 3.749 | 107¼ | 108¼ | -0.26 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82⅞ | 82⅞ | 83⅞ | +99.08 |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 111¼ | 112⅞ | +13.71 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 8, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 60.9643 | 33.644 | 43.9159 |
| Albania | (Lek) | 10.6150 | 6.5202 | 3.5983 | 4.6969 |
| Algeria | (Dinar) | 29.6150 | 18.191 | 10.0389 | 13.1039 |
| Andorra | (Fr Fr) | 10.0050 | 6.1455 | 3.3915 | 4.4269 |
| | (Sp Peseta) | 185.55 | 113.974 | 62.8983 | 82.1017 |
| Angola | (Kwanza) | 97.65 | 59.9815 | 33.1016 | 43.2079 |
| Antigua | (E Carr $) | 4.3985 | 2.7017 | 1.491 | 1.9462 |
| Argentina | (Austral) | 16125.3 | 9904.98 | 5466.2 | 7135.09 |
| Aruba | (Florin) | 2.9160 | 1.7911 | 0.9884 | 1.2902 |
| Australia | (Aus $) | 2.1218 | 1.3033 | 0.7192 | 0.9388 |
| Austria | (Schilling) | 20.735 | 12.7364 | 7.0288 | 9.1747 |
| [illegible] | | | | | |
| Ethiopia | (Ethiopian Birr) | 3.3505 | 2.058 | 1.1357 | 1.4825 |
| Falkland Is | (Falk £) | 1.00 | 0.6142 | 0.3389 | 0.4424 |
| Faroe Is | (Danish Kroner) | 11.4075 | 7.007 | 3.8669 | 5.0475 |
| Fiji Is | (Fiji $) | 2.4587 | 1.5102 | 0.8334 | 1.0879 |
| Finland | (Markka) | 7.0488 | 4.3297 | 2.3894 | 3.1189 |
| France | (Fr) | 10.0050 | 6.1455 | 3.3915 | 4.4269 |
| Fr. Cty/Africa | (CFA Fr) | 500.25 | 307.279 | 169.576 | 221.35 |
| Fr. Guiana | (Local Fr) | 10.0050 | 6.1455 | 3.3915 | 4.4269 |
| Fr. Pacific Is | (CFP Fr) | 180.00 | 110.565 | 61.0169 | 79.646 |
| Gabon | (CFA Fr) | 500.25 | 307.279 | 169.576 | 221.35 |
| Gambia | (Dalasi) | 14.2975 | 8.7822 | 4.8466 | 6.3263 |
| Germany | (D-Mark) | 2.9500 | 1.812 | 1 | 1.3053 |
| Ghana | (Cedi) | 597.85 | 367.23 | 202.661 | 264.535 |
| Gibraltar | (Gib £) | 1.00 | 0.6142 | 0.3389 | 0.4424 |
| Greece | (Drachma) | 323.00 | 198.403 | 109.492 | 142.92 |
| Greenland | (Danish Krone) | 11.4075 | 7.007 | 3.8669 | 5.0475 |
| Grenada | (E Carr $) | 4.3985 | 2.7017 | 1.491 | 1.9462 |
| Guadaloupe | (Local Fr) | 10.0050 | 6.1455 | 3.3915 | 4.4269 |
| Guam | (US $) | 1.6280 | 1 | 0.5518 | 0.7203 |
| Guatemala | (Quetzal) | 7.9485 | 4.8823 | 2.6944 | 3.517 |
| Guinea | (Fr) | 1009.95a | 620.362 | 342.356 | 446.881 |
| | | 488.70a | 300.184 | 165.661 | 216.239 |
| Guinea-Bissau | (Peso) | 1058.85 | 650.399 | 358.932 | 468.518 |
| [illegible] | | | | | |
| Morocco | (Dirham) | 14.99 | 9.2076 | 5.0813 | 6.6327 |
| Mozambique | (Metical) | 2496.75 | 1533.63 | 846.356 | 1104.76 |
| Namibia | (S A Rand) | 4.6970 | 2.8851 | 1.5922 | 2.0783 |
| Nauru Is | (Australian $) | 2.1218 | 1.3033 | 0.7192 | 0.9388 |
| Nepal | (Nepalese Rupee) | 69.55(3) | 42.7211 | 23.5762 | 30.7743 |
| Netherlands | (Guilder) | 3.3200 | 2.0393 | 1.1254 | 1.469 |
| N'nd Antilles | (A/Guilder) | 2.9160 | 1.7911 | 0.9884 | 1.2902 |
| New Zealand | (NZ $) | 2.8585 | 1.7558 | 0.9689 | 1.2648 |
| Nicaragua | (Gold Cordoba) | 8.1450 | 5.003 | 2.761 | 3.6039 |
| Niger Rep | (CFA Fr) | 500.25 | 307.279 | 169.576 | 221.35 |
| Nigeria | (Naira) | 17.1045 | 10.5064 | 5.7981 | 7.5683 |
| Norway | (Nor. Krone) | 11.5150 | 7.073 | 3.9033 | 5.0951 |
| Oman | (Rial Omani) | 0.6245 | 0.3835 | 0.2116 | 0.2763 |
| Pakistan | (Pak. Rupee) | 38.50 | 23.6486 | 13.0508 | 17.0353 |
| Panama | (Balboa) | 1.6280 | 1 | 0.5518 | 0.7203 |
| Papua New Guinea | (Kina) | 1.5618 | 0.9593 | 0.5294 | 0.691 |
| Paraguay | (Guarani) | 2149.90 | 1320.58 | 728.78 | 951.283 |
| Peru | (New Sol) | 1.37 | 0.8415 | 0.4644 | 0.6061 |
| Philippines | (Peso) | 42.50 | 26.1056 | 14.4067 | 18.8055 |
| Pitcairn Is | (£ Sterling) | 1.00 | 0.6142 | 0.3389 | 0.4424 |
| | (NZ $) | 2.8585 | 1.7558 | 0.9689 | 1.2648 |
| Poland | (Zloty) | 18620.00 | 11437.3 | 6311.86 | 8238.94 |
| Portugal | (Escudo) | 257.50 | 158.17 | 87.2881 | 113.938 |
| Puerto Rico | (US $) | 1.6280 | 1 | 0.5518 | 0.7203 |
| [illegible] | | | | | |
| Vanuatu | (Vatu) | 179.00 | 109.951 | 60.6779 | 79.2035 |
| Vatican | (Lira) | 2195.25 | 1348.43 | 744.153 | 971.35 |
| Venezuela | (Bolivar) | 89.25 | 54.8218 | 30.2542 | 39.4911 |
| Vietnam | (Dong) | 14172.30 | 8705.34 | 4804.17 | 6270.93 |
| Virgin Is-British | (US $) | 1.6280 | 1 | 0.5518 | 0.7203 |
| Virgin Is-US | (US $) | 1.6280 | 1 | 0.5518 | 0.7203 |
| Western Samoa | (Tala) | 3.8475 | 2.3633 | 1.3042 | 1.7024 |
| Yemen | (Rial) | 19.6295 | 12.0574 | 6.654 | 8.6856 |
| Yemen PDR | (Dinar) | 0.7510 | 0.4613 | 0.2545 | 0.3323 |
| Yugoslavia | (Dinar) | 38.3036 | 23.528 | 12.9842 | 16.9484 |
| Zaire Rep | (Zaire) | 7581.00 | 4656.63 | 2569.83 | 3354.42 |
| Zambia | (Kwacha) | 105.45 | 64.7727 | 35.7457 | 46.6592 |
| Zimbabwe | ($) | 5.3155 | 3.265 | 1.8018 | 2.3519 |

Special Drawing Rights July 5, 1991 United Kingdom £0.814472 United States $1.30682 Germany D Mark 2.40115 Japan Yen181.975
European Currency Unit Rates July 8, 1991 United Kingdom £0.696364 United States $1.13347 Germany D Mark 2.05419 Japan Yen157.246

Abbreviations. (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate, (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, July 8, 1991. (1) Indian Rupee/Bhutan: Two-stage devaluation on 1/7 & 3/7 of 8% & 10% respectively. (2) Cambodian Riel devalued by 25% on 3/7. (3) Nepalese Rupee devalued by 18% on 3/7.

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We now fly non-stop to Japan ten days a week.
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| 1/2 hour period ending | | | |
|---|---|---|---|
| [illegible] | | | |
| 2330 | 18.17 | 17.31 | 17.31 |
| 2400 | 17.84 | 16.36 | 16.36 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-two days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

DEN DANSKE BANK
Japanese Yen 5,000,000,000
5⅞ per cent.
Foreign Exchange-Linked Bonds due 1992
Notice is hereby given that, in accordance with Clause 5 (c) of the Terms and Conditions of the Bonds, the Issuer will exercise the option for redemption on 22nd August, 1991 and redeem all of the outstanding bonds at the percentage, which shall be fixed on 15th August, 1991, payable on 22nd August, 1991.
NIKKO BANK (LUXEMBOURG) S.A. as Fiscal and Paying Agent

U.S. $150,000,000
First Interstate Bancorp
Floating Rate Notes Due 1994
Interest Rate: 6.7% per annum
Interest Period: 9th July 1991 / 9th January 1992
Interest Amount per U.S. $100,000 Note due 9th January 1992: U.S. $3,424.44
Credit Suisse First Boston Limited Agent

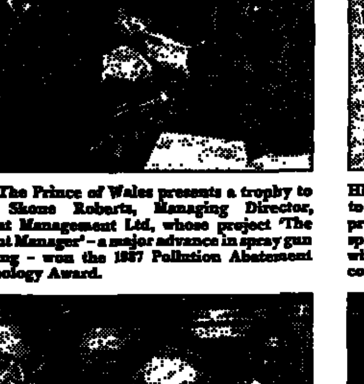
BETTER ENVIRONMENT AWARDS FOR INDUSTRY

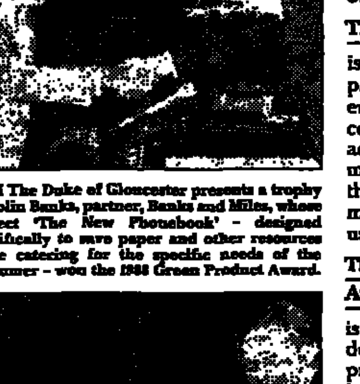
PUT YOURSELF IN THE PICTURE

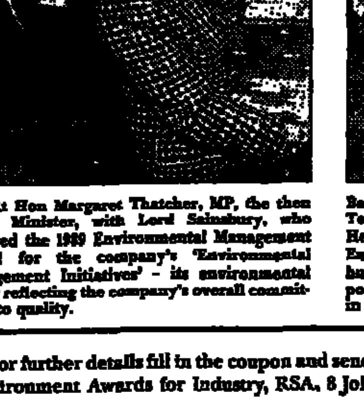
1991 marks the third year of the Financial Times support for the Better Environment Awards For Industry. It joins the Royal Society for the encouragement of Arts, Manufactures and Commerce and co-sponsors the Department of the Environment, Shell UK Limited, the Environment Foundation and the Confederation of British Industry.

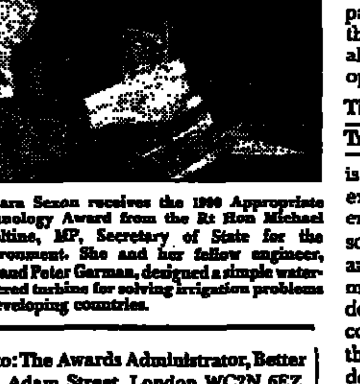
The aim of the Awards is to raise the standard of environmental performance in the business community. They are given to any company that has initiated and developed environmental projects in the UK or any non-industrial organisation running projects on a commercial basis. This year, a new category – The Recovery of Waste Award – has been introduced in addition to the present four awards.

This year's entries will be considered for nomination to the European Community-wide scheme.


HRH The Prince of Wales presents a trophy to Gary Skone Roberts, Managing Director, Solvent Management Ltd, whose project 'The Solvent Manager' – a major advance in spray gun cleaning – won the 1987 Pollution Abatement Technology Award.


HRH The Duke of Gloucester presents a trophy to Colin Banks, partner, Banks and Miles, whose project 'The New Phonebook' – designed specifically to save paper and other resources while catering for the specific needs of the consumer – won the 1988 Green Product Award.


The Rt Hon Margaret Thatcher, MP, the then Prime Minister, with Lord Sainsbury, who received the 1989 Environmental Management Award for the company's 'Environmental Management Initiatives' – its environmental policy reflecting the company's overall commitment to quality.


Barbara Sexon receives the 1990 Appropriate Technology Award from the Rt Hon Michael Heseltine, MP, Secretary of State for the Environment. She and her fellow engineer, husband Peter Garman, designed a simple water-powered turbine for solving irrigation problems in developing countries.

The Technology Award is for the development and adoption of technologies which reduce the negative impact of industry on the environment.

The Product Award is for consumer products that take environmental considerations into account from raw material selection, through design, manufacturing and use to disposal.

The Management Award is for the development and practical implementation of a corporate or business management strategy which has particular regard for the environment at all stages of operation.

The Technology Transfer Award is for the transfer of existing environmentally-sound technologies and management methods to developing countries; or for those specifically designed and developed for the particular situations of developing countries.

NEW CATEGORY The Recovery of Waste Award is for economically-viable technologies and strategies for the recycling, re-use or reclamation of waste materials.

For further details fill in the coupon and send to: The Awards Administrator, Better Environment Awards for Industry, RSA, 8 John Adam Street, London WC2N 6EZ.
NAME:
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# INTERNATIONAL CAPITAL MARKETS

## Weak demand for Tate & Lyle offering

TATE & Lyle yesterday doubled the size of its outstanding £93m warrant bond issue, raising additional finance for its acquisition of Bundaberg Sugar of Australia, writes Simon London.

However, the deal was launched into a weak equity market, with share prices down in London following a sharp fall in equity prices overnight in Tokyo.

Merrill Lynch won the mandate to lead manage the transaction in a competitive bid with four other firms, including Goldman Sachs, which led the earlier tranche. Goldman declined to participate in yesterday's deal on the grounds that the pricing was too tight.

The units offered yesterday, which comprise a bond and warrant package, were priced at 76.9 per cent of face value.

By late afternoon, the deal was trading at 75 bid.

The outstanding bonds were launched at 73 per cent of face value in March.

The lead manager said that the higher issue price this time reflected the fact that Tate & Lyle shares have risen in value since March.

Yesterday, the shares were trading at £3.75, down 10p on the day, against £3.56 when the earlier tranche of paper was launched.

However, participants in the deal reported weak demand yesterday as a result of poor market conditions and tight pricing.

The warrants give holders the right to buy new stock at 421p. In addition, the bond portion of the units pay a coupon of 5¾ per cent. However, in practice the warrant is likely to be exercised on redemption of the bond, making the deal a "synthetic" convertible bond issue rather than a normal bond-plus-warrant transaction.

## Associated British Ports £100m deal well received

By Simon London

ASSOCIATED British Ports yesterday added to the supply of long-dated sterling securities in the international bond market, raising £100m in a 20-year deal lead managed by Barclays de Zoete Wedd.

The issue was aimed primarily at UK institutional investors and pays a 11⅞ per cent semi-annual coupon. However, like many recent long-dated Eurosterling transactions, the bonds have been issued in bearer form to attract continental European institutions – which prefer to take coupon payments in gross rather than net of tax.

BZW handled the transaction as a bought deal, underwriting most of it and distributing bonds with Kleinwort Benson and Cazenove & Co.

The bonds were priced to yield 213 basis points over the 9 per cent UK government bond maturing 2008. AB Ports has an outstanding long-dated issue maturing 2015 which was yesterday trading at a yield spread of 203 basis points over the gilt.

### INTERNATIONAL BONDS

Despite its roots in the operation of port facilities, the borrower manages a large property portfolio. However, the bonds issued yesterday are not secured on property assets in the manner of a traditional secured debenture issue.

The covenants restrict the company's ability to borrow further, by setting an upper limit on balance sheet gearing of 50 per cent, and place restrictions on the disposals of assets. Against the background of weaker gilts prices at the longer maturities, the deal traded at a yield spread of 210 basis points.

Syndicate managers commented that international interest in sterling-denominated securities remains strong and expected more issuance this week. Currency and interest-rate swaps opportunities are few, so the most likely issuers are UK companies.

Elsewhere, activity remained subdued. Daimler-Benz launched a L150bn four-year deal via Banca Commerciale Italiana into a weak Eurolire market. The bonds carry a coupon of 12¼ per cent and were priced at 101.60. However, by the close of trading the deal was trading at 99.90 bid, just outside full fees of 1.625.

Other than sterling, borrowers are concentrating on the Ecu sector, where currency and interest-rate swaps opportunities are plentiful. For example, the European Community is taking bids for its next Ecu issue. Yet the underlying Ecu bond market was weak yesterday and this may prevent new issues on any scale for some time to come.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| *Yukong Ltd.‡* | *75* | *5.5* | *100* | *1996* | *2¼/1½* | *Baring Brothers & Co.* |
| **STERLING** | | | | | | |
| Tate & Lyle Int.Fin.‡♦(b) | 93 | 5¾ | 76.9 | 2001 | 2½/1½ | Merrill Lynch Int. |
| Associated British Ports♦(c) | 100 | 11⅞ | 100.005 | 2011 | 2½/1⅞ | Barclays de Zoete Wedd |
| **AUSTRALIAN DOLLARS** | | | | | | |
| National Australia Bank♦(a) | 75 | 12 | 101.95 | 1995 | 1¾/1⅛ | Hambros Bank |
| **LIRE** | | | | | | |
| Daimler Benz Int.Fin.BV♦ | 150bn | 12¼ | 101.60 | 1995 | 1⅝/1⅛ | Bca.Comm.Italiana |
| *Costa International BV§♦* | *30bn* | *9* | *100* | *1997* | *2½/1½* | *Euromobiliare SpA* |
| **GUILDERS** | | | | | | |
| Buehrmann-Tetterode Ant.NV.♦ | 150 | 9¼ | 100.70 | 1996 | 1/⅝ | Rabobank Nederland |

§Convertible. ‡With equity warrants. ♦Final terms. a)Non-callable. b)Issue price split 59.25% for bonds 17.65% for warrants. Callable after 5 years. c)Non-callable. Fixed reoffer at 98.13. short first coupon.

## Argentine tax changes give boost to bonds

By John Barham in Buenos Aires

ARGENTINA has approved tax changes to enable local and multi-national corporations based in Argentina to increase sharply their bond issues on the domestic and international market.

Previously, transfer and capital gains tax was paid on corporate bonds – known as *obligaciones negociables* (ONs) – making them unattractive to investors. Now, says Mr Manuel Sacerdote, president of Bank of Boston's Argentine offshoot, "companies can aim at Argentines resident overseas with bearer bonds that are freely transferable".

A typical ON will be denominated in US dollars, have a life of four to five years and pay interest of 13 per cent to 14 per cent.

Mr Sacerdote says many banks are planning ON issues for clients and a substantial number of new placements can be expected soon. He says ONs will be used either to refinance debt or to finance new industrial investments.

The new legislation comes at a time when Latin American bonds are enjoying a renaissance on international markets. Molinos del Río de la Plata, Argentina's leading food company, and Banco Río de la Plata, the largest private bank, have recently issued paper on international markets.

The two Argentine companies are listed on New York and Zurich stock exchanges.

## DBS launches open-end trust

DBS Asset Management has launched US Growth Fund, an open-end unit trust fund to invest in US equities, AP-DJ reports from Singapore.

DBS, part of the DBS Bank group, has teamed up with a New York-based investment firm, Alliance Capital Management LP.

For the initial offer the S$1 units will be charged at a 2 per cent sales commission, instead of the usual 4 per cent, DBS Bank said.

## Volksfürsorge deal brings fresh air

**Katharine Campbell** looks at the sale of 25% of the German insurer

THE blue "Volksfürsorge" flag fluttering in the breeze over the port of Hamburg is supposed to signify a "breath of fresh air" for the German stock market.

The sale this month of 25 per cent of the Hamburg-based life and property insurer, amounting to DM800m, is one of the largest primary placements in recent years on the German stock market. It is also the second time – after Villeroy & Boch last year – a German primary offering has been syndicated internationally.

"Despite the German market being extremely weak and fragile, we are optimistic this will fly", says an official from Credit Suisse First Boston, which, together with Commerzbank, is co-leading the syndication. Lead manager Deutsche Bank said it hopes to place up to half of the shares around Europe outside Germany.

The "Volkswagen" of the German insurance business, as its chief executive, Mr Wolfgang Kaske likes to describe it, Volksfürsorge is being presented as an interesting alternative to the current stock exchange listed insurers. At DM800 each, the shares are attractively priced compared with the rest of the sector.

Life insurance companies are notoriously difficult to value, with the lack of German disclosure compounding the process, but London analysts at Fox-Pitt Kelton calculate the simple ratio of share price to premium income at 84 per cent, which compares favourably with several in that sector where the ratio can be as high as 140 per cent.

In the form of bearer securities, the new shares will also be a good deal more liquid than the cumbersome registered shares issued by most other domestic life companies.

The flotation represents a further important step in Volksfürsorge's progress away from its trade union background. The BGAG, the union holding company which is reducing its stake from 50 to 25 per cent by this sale, first successfully brought in outside shareholders during 1988. At that time, Aachener & Munchener and Fondiaria of Italy acquired a 25 per cent stake each. The placement of more shares with the expansionary-minded supermarket concern Asko, however, fell through.

The new ownership structure heralded important changes for Volksfürsorge, starting with the appointment of Mr Kaske, brother of the outgoing Siemens boss and formerly chief executive of Central Krankenversicherung, part of the A & M group.

He inherited an unexciting group, burdened by high costs, and catering to the dwindling market of blue collar workers. Years of speculation and uncertainty about the group prior to the 1988 sale had further undermined performance.

While Deutsche Bank was forced to abandon plans for a flotation last summer because of the stock market plunge after the onset of the Iraq crisis, Vofu is now in a better position to show how Mr Kaske's turnaround strategy is beginning to bite.

Helped by a strong start in east Germany, new sums assured in the first quarter of this year rose by more than 50 per cent. For the whole of 1990, total premium income reached DM3.87bn, and is forecast to rise to more than DM5bn by 1993. Degab, the investment analysis subsidiary of Deutche Bank, is forecasting a profit per share of DM22 this year – after DM15.50 last – rising to DM27.5 by 1993.

The basic mix of the business has not changed, with the core life operations accounting for over 76 per of premium income, making it the third largest life insurer in Germany. The rest is concentrated in property, with the company making a virtue of the fact that it has never become involved in the thin-margin, high-risk industrial business.

However, the principal tasks on which Mr Kaske and a largely new management are currently engaged include pruning costs further; rapidly expanding the marketing network and techniques to reach higher net worth individuals; and rebalancing a portfolio of investments (with for instance larger securities holdings) which for the life part of the group alone amounts to nearly DM26bn.

Indicative of a fitter company, Mr Kaske believes, is its aggressive expansion into east Germany, where it has already achieved a market share 40 per cent above that in the west. This brings it to 5.3 per cent of the life market in Germany.

Its – mostly local – salesmen are working in a structure described as very advanced. By the end of May it had accumulated 80,000 life policies worth DM1.6bn, with 185,000 property insurance policies written, in a nascent market that Volksfürsorge acknowledges requires careful credit control.

**Aachener & Münchener has set August as the date for bringing a portion of its life business to the stock market.**

**A & M yesterday would not give further details of the offering, which will be led by Dresdner Bank. It is expected it will raise between DM350m and DM500m, representing around 23 per cent of the capital of the life subsidiary.**

**Mr Wolf-Dieter Baumgartl said in March that a flotation would allow for "further expansion in Europe". The life operations' new business rose 57 per cent to DM16bn for last year. Total sum assured rose 24 per cent to DM64.3bn.**

## Malaysian broker forced to cover M$72m deficit

BBMB Securities, the Malaysian broker, will make full provisions for a M$72m loss for the year ended March, 1991, Reuter reports from Kuala Lumpur.

The loss stemmed from stock transactions between September 1989 and March 1990 which were found to be irregular, according to the state-owned Bank Bumiputra Malaysia, which owns BBMB and which is the country's second largest bank.

The Kuala Lumpur Stock Exchange said BBMB had not defaulted on any payments due to the exchange's clearing house and had complied with the minimum liquid funds requirement.

Bank Bumiputra said it would inject sufficient funds into BBMB to cover the losses and strengthen the brokers' financial position. Although the losses would wipe out BBMB's paid-up capital, they would not affect the bank.

● Turkey's central bank has sold one-year government bonds worth TL344.8bn at an average annual rate of 61 per cent, the bank said. It sold TL98.5bn of the same maturity on June 5. The corresponding price for the bills was TL62,112, Reuter reports from Ankara.

## Oman bank starts talks on $1.1bn of bonds

OMAN'S central bank has begun talks with financial institutions on the sultanate's first issue of government bonds later this year, Reuter reports.

The official Omani News Agency said Mr Hamoud bin Sengour, the central bank president, met directors of commercial banks last night and was expected to meet representatives of insurance companies and other financial institutions today.

The issue, worth OR429m ($1.11bn), will help finance Oman's 1991-1995 five-year development plan, which aims at lessening its reliance on oil revenues.

The Omani agency, received in Cyprus, quoted Mr Sengour as saying the bank would start issuing the bonds this year, but did not say when.

He did not say whether foreigners would be allowed to buy the government paper, which would be traded on Oman's stock market.

Sengour said any purchase exceeding OR100,000 would have to be made through the central bank.

Other investors could apply through local banks or authorised stockbrokers, he said.

# LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

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| | EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Mon Jul 8 1991 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj. 1991 to date | Fri Jul 5 Index No. | Thu Jul 4 Index No. | Wed Jul 3 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (184) | 793.49 | -0.7 | 11.07 | 6.09 | 11.12 | 18.16 | 798.77 | 799.20 | 795.99 | 873.60 |
| 2 | Building Materials (24) | 1004.69 | -0.9 | 10.23 | 6.21 | 12.22 | 30.46 | 1013.45 | 1016.16 | 1010.52 | 1099.26 |
| 3 | Contracting, Construction (31) | 1142.18 | -1.0 | 9.75 | 6.83 | 13.54 | 31.87 | 1153.53 | 1163.85 | 1156.02 | 1421.84 |
| 4 | Electricals (10) | 2276.84 | -0.5 | 11.54 | 5.88 | 11.04 | 61.85 | 2288.24 | 2292.71 | 2265.31 | 2455.36 |
| 5 | Electronics (25) | 1689.41 | -0.5 | 8.93 | 5.33 | 14.90 | 10.13 | 1698.57 | 1700.12 | 1691.99 | 1788.56 |
| 6 | Engineering-Aerospace (8) | 403.33 | -0.4 | 16.98 | 6.22 | 7.07 | 10.83 | 404.99 | 403.85 | 404.96 | 473.17 |
| 7 | Engineering-General (46) | 433.43 | -0.5 | 12.75 | 5.89 | 9.56 | 9.92 | 435.67 | 434.85 | 432.56 | 489.28 |
| 8 | Metals and Metal Forming (8) | 428.36 | -1.1 | 16.42 | 8.25 | 7.47 | 3.82 | 433.28 | 432.58 | 428.13 | 482.43 |
| 9 | Motors (12) | 298.69 | -1.1 | 13.23 | 8.10 | 8.91 | 9.98 | 302.00 | 302.35 | 309.55 | 362.81 |
| 10 | Other Industrial Materials (20) | 1500.52 | -0.4 | 9.34 | 5.35 | 12.59 | 34.85 | 1507.04 | 1504.05 | 1495.51 | 1573.12 |
| 21 | CONSUMER GROUP (187) | 1444.95 | -0.8 | 8.15 | 3.76 | 15.10 | 22.68 | 1456.63 | 1448.87 | 1437.19 | 1297.38 |
| 22 | Brewers and Distillers (22) | 1755.06 | -1.1 | 8.78 | 3.77 | 13.90 | 27.45 | 1774.55 | 1764.63 | 1754.77 | 1608.86 |
| 25 | Food Manufacturing (19) | 1178.58 | -0.7 | 9.73 | 4.20 | 12.68 | 23.29 | 1186.78 | 1178.21 | 1167.27 | 1099.44 |
| 26 | Food Retailing (17) | 2613.22 | -1.0 | 8.21 | 3.21 | 15.95 | 39.61 | 2639.50 | 2636.05 | 2607.47 | 2505.93 |
| 27 | Health and Household (22) | 3535.73 | -0.6 | 5.41 | 2.44 | 21.10 | 30.21 | 3555.76 | 3536.05 | 3500.79 | 2565.33 |
| 29 | Hotels and Leisure (23) | 1196.09 | -0.8 | 10.96 | 5.80 | 10.83 | 23.89 | 1206.10 | 1201.33 | 1197.07 | 1469.71 |
| 30 | Media (26) | 1342.46 | -0.8 | 9.53 | 5.24 | 13.30 | 29.60 | 1352.67 | 1354.34 | 1356.19 | 0.00 |
| 31 | Packaging, Paper & Printing (17) | 696.39 | ....... | 8.08 | 4.74 | 14.93 | 14.33 | 696.03 | 689.48 | 685.59 | 607.70 |
| 34 | Stores (32) | 884.83 | -1.1 | 8.73 | 4.10 | 14.98 | 16.28 | 894.55 | 885.98 | 874.78 | 784.64 |
| 35 | Textiles (9) | 535.98 | ....... | 9.74 | 5.78 | 12.63 | 13.79 | 535.98 | 533.75 | 530.10 | 495.97 |
| 40 | OTHER GROUPS (109) | 1214.53 | -0.2 | 10.30 | 5.28 | 11.96 | 21.16 | 1217.00 | 1206.52 | 1199.28 | 1184.45 |
| 41 | Business Services (12) | 1251.25 | -0.2 | 9.23 | 5.20 | 13.24 | 29.13 | 1253.16 | 1242.57 | 1234.20 | 0.00 |
| 42 | Chemicals (21) | 1385.74 | ....... | 8.07 | 5.20 | 13.97 | 32.35 | 1385.21 | 1388.20 | 1383.85 | 1267.78 |
| 43 | Conglomerates (10) | 1390.41 | -0.7 | 10.96 | 7.46 | 11.02 | 31.93 | 1399.58 | 1396.74 | 1400.80 | 1602.46 |
| 44 | Transport (13) | 2145.14 | -0.7 | 8.82 | 4.97 | 14.06 | 46.60 | 2160.78 | 2158.06 | 2154.73 | 2296.51 |
| 45 | Electricity (16) | 1205.36 | +0.3 | 14.18 | 5.39 | 8.98 | 0.00 | 1202.05 | 1174.98 | 1168.61 | 0.00 |
| 46 | Telephone Networks(4) | 1432.56 | ....... | 10.35 | 4.25 | 12.64 | 5.58 | 1432.73 | 1425.92 | 1407.79 | 1240.82 |
| 47 | Water(10) | 2330.95 | +0.4 | 17.72 | 6.60 | 6.24 | 118.37 | 2322.26 | 2261.32 | 2232.55 | 1951.28 |
| 48 | Miscellaneous (23) | 1973.39 | -0.8 | 6.13 | 4.89 | 21.16 | 47.71 | 1989.40 | 1956.52 | 1948.39 | 1806.96 |
| 49 | INDUSTRIAL GROUP (480) | 1212.91 | -0.6 | 9.41 | 4.70 | 13.08 | 21.39 | 1219.98 | 1213.53 | 1205.51 | 1168.28 |
| 51 | Oil & Gas (20) | 2382.02 | -0.7 | 11.40 | 5.75 | 11.54 | 50.59 | 2399.57 | 2383.94 | 2368.64 | 2293.82 |
| 59 | 500 SHARE INDEX (500) | 1311.81 | -0.6 | 9.66 | 4.84 | 12.86 | 23.79 | 1319.71 | 1312.53 | 1303.89 | 1262.84 |
| 61 | FINANCIAL GROUP (94) | 771.28 | -1.0 | – | 6.14 | – | 20.71 | 779.34 | 777.00 | 765.70 | 803.27 |
| 62 | Banks (9) | 857.80 | -1.8 | 6.99 | 6.45 | 21.66 | 22.63 | 873.48 | 876.74 | 857.55 | 858.48 |
| 65 | Insurance (Life) (7) | 1470.83 | -0.5 | – | 5.62 | – | 41.64 | 1478.12 | 1458.09 | 1439.93 | 1450.53 |
| 66 | Insurance (Composite) (6) | 662.93 | -0.6 | – | 6.61 | – | 20.23 | 666.94 | 659.52 | 651.76 | 682.86 |
| 67 | Insurance (Brokers) (8) | 1123.57 | -0.3 | 6.94 | 6.03 | 18.67 | 29.60 | 1127.33 | 1125.81 | 1119.86 | 986.88 |
| 68 | Merchant Banks (7) | 419.38 | -0.5 | – | 5.00 | – | 11.00 | 421.35 | 419.11 | 417.81 | 434.91 |
| 69 | Property (37) | 885.73 | -0.6 | 6.97 | 5.27 | 19.87 | 19.29 | 890.77 | 888.66 | 881.23 | 1103.98 |
| 70 | Other Financial (20) | 257.74 | -0.1 | 11.12 | 7.00 | 11.25 | 7.80 | 258.06 | 257.13 | 256.22 | 289.25 |
| 71 | Investment Trusts (70) | 1178.99 | -0.6 | – | 3.58 | – | 19.23 | 1186.04 | 1182.70 | 1177.20 | 1214.40 |
| 99 | ALL-SHARE INDEX (664) | 1181.25 | -0.7 | – | 4.97 | – | 22.74 | 1189.05 | 1183.05 | 1174.07 | 1152.34 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Jul 5 | Jul 4 | Jul 3 | Jul 2 | Jul 1 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2466.8 | -17.9 | 2480.2 | 2462.5 | 2484.7 | 2470.4 | 2448.2 | 2460.2 | 2443.6 | 2337.5 |

## FIXED INTEREST

| | PRICE INDICES | Mon Jul 8 | Day's change % | Fri Jul 5 | Accrued Interest | xd adj. 1991 to date |
|---|---|---|---|---|---|---|
| | *British Government* | | | | | |
| 1 | Up to 5 years (29) | 121.27 | +0.02 | 121.25 | 1.97 | 6.06 |
| 2 | 5-15 years (27) | 131.36 | -0.17 | 131.58 | 2.59 | 6.73 |
| 3 | Over 15 years (9) | 137.94 | -0.35 | 138.42 | 2.28 | 6.44 |
| 4 | Irredeemables (6) | 151.38 | -0.28 | 151.80 | 1.53 | 7.34 |
| 5 | All stocks (71) | 130.35 | -0.12 | 130.51 | 2.36 | 6.57 |
| | *Index-Linked* | | | | | |
| 6 | Up to 5 years (1) | 159.04 | ....... | 159.03 | 0.51 | 2.72 |
| 7 | Over 5 years (10) | 145.72 | +0.15 | 145.51 | 0.83 | 2.22 |
| 8 | All stocks (11) | 146.66 | +0.14 | 146.46 | 0.82 | 2.23 |
| 9 | Debs & Loans (56) | 109.29 | +0.53 | 108.71 | 2.42 | 5.18 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Jul 8 | Fri Jul 5 | Year ago (approx.) |
|---|---|---|---|---|---|
| | *British Government* | | | | |
| 1 | Low | 5 years | 9.00 | 9.02 | 10.91 |
| 2 | Coupons | 15 years | 9.92 | 9.88 | 10.90 |
| 3 | (0%-7¾%) | 20 years | 9.92 | 9.88 | 10.90 |
| 4 | Medium | 5 years | 10.28 | 10.26 | 12.27 |
| 5 | Coupons | 15 years | 10.14 | 10.09 | 11.43 |
| 6 | (8%-10¾%) | 20 years | 10.07 | 10.02 | 11.21 |
| 7 | High | 5 years | 10.45 | 10.43 | 12.36 |
| 8 | Coupons | 15 years | 10.28 | 10.23 | 11.66 |
| 9 | (11%-) | 20 years | 10.17 | 10.12 | 11.44 |
| 10 | Irredeemables | | 10.10 | 10.06 | 10.92 |
| | *Index-Linked* | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 4.48 | 4.47 | 5.43 |
| 12 | Inflation rate 5% | Over 5 yrs. | 4.33 | 4.34 | 4.28 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 3.59 | 3.58 | 4.37 |
| 14 | Inflation rate 10% | Over 5 yrs. | 4.15 | 4.16 | 4.11 |
| 15 | Debs & | 5 years | 11.91 | 11.97 | 13.68 |
| 16 | Loans | 15 years | 11.72 | 11.77 | 12.82 |
| 17 | | 25 years | 11.52 | 11.58 | 12.54 |

‡Opening index 2480.2; 9 am 2473.8; 10 am 2469.4; 11 am 2469.7; Noon 2469.0; 1 pm 2468.4; 2 pm 2462.9; 2.30 pm 2463.2; 3 pm 2464.7; 4.10 pm 2466.5; (a) 8.30am (b) 2.44pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 13 | 47 | 24 |
| Corporations, Dominion and Foreign Bonds | 1 | 6 | 13 |
| Industrials | 104 | 436 | 977 |
| Financial and Properties | 37 | 185 | 518 |
| Oils | 12 | 27 | 51 |
| Plantations | 0 | 1 | 9 |
| Mines | 30 | 40 | 91 |
| Others | 14 | 99 | 51 |
| Totals | 211 | 841 | 1,734 |

## LONDON RECENT ISSUES

### EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

## LONDON TRADED OPTIONS

[illegible]

## TRADITIONAL OPTIONS

● First Dealings July 8
● Last Dealings July 19
● Last Declarations Oct. 10
● For settlement Oct. 21

For rate indications see end of London Share Service

Calls in Burton, Control Securities and Exploura.

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Together, we are a world leader.
Together, we can face the future with confidence.
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# Brent dismisses Lonrho reports

By Maggie Urry

BRENT WALKER, the leisure group fighting to put together a £1.3bn financial restructuring, yesterday dismissed weekend press reports that it had received an offer from Lonrho, the international trading group.

The company said that Standard Chartered, the bank heading the 47-bank syndicate currently considering its rescue plan, had received a document by fax outlining an approach. It said "the facsimile contains insufficient detail to be capable of serious consideration." It concluded that it "awaits clarification by Lonrho of its intentions."

Mr Paul Spicer, a director of Lonrho, said yesterday "Lonrho has made no proposal to Brent Walker". He said Lonrho's interest was as a bondholder – it bought £5m of the £101.9m convertible bond issued last November – and as bondholders Lonrho was trying to find out what was going on at Brent Walker. He said, "the only people calling the shots are the 47 banks".

Mr Nicholas Ward, Brent Walker's group managing director, was visiting some of the group's banks yesterday. He said the "vast majority" of the 47 banks, and the banks in the syndicate which lent to William Hill, Brent Walker's bookmaking business, had approved the plan and it was now a matter of bringing in the last few. He hoped this could be done by tomorrow or Thursday.

Last Friday, Brent Walker said that an agreement reached with the bondholders had proved unacceptable to its banks. The banks will now be asked to agree the restructuring plan on the basis of the original proposals to bondholders, and Brent Walker will then see if terms for the bondholders could be improved.

When Lonrho bought its bonds it was given a put option by Mr George Walker, former chairman and chief executive of Brent Walker. Mr Spicer said that were the group to go into receivership "we believe we will be paid in the end by Mr Walker".

Apparently the document Standard Chartered received last Tuesday referred to an offer for "Sala", a code name, and was not addressed to Brent Walker. Standard Chartered told Brent Walker but it is understood that the directors did not see the document until Mr Walker, who went to the group's head office last Friday, gave a copy to a director.

See Lex, Observer

# Kelt confirms asset swap to cut debts as losses rise

By Deborah Hargreaves

KELT ENERGY has confirmed it will be handing over most of its assets to a syndicate of banks as part of its restructuring. The announcement was made at the same time as reporting an annual pre-tax loss of £154.3m, after an exceptional charge of £150.8m.

The syndicate, headed by American Express, has set up Purbeck Petroleum to take on a number of the assets, including a 7.5 per cent stake in Wytch Farm, the oilfield in Dorset, in return for cancelling its debts of $373m (£233m).

In addition a company controlled by Mr Hubert Perrodo, Kelt's chairman and main shareholder, will pay $55.5m (£34m) to the syndicate.

Shareholders are also being asked to approve the capitalisation of a $22.2m loan from Orkdale, a company ultimately owned by Mr Perrodo, and the issue of $8.5m (£5.3m) in deep discount notes to be repaid over 10 years.

Kelt said the restructuring should allow it to continue as an participant in the oil and gas industry in the UK and US.

For the year to March 31 turnover increased from £29.7m to £45.4m. In the previous year there was a pre-tax loss of £5.41m. Losses per share were 56.2p (3p). Of the exceptional charge £146m was a provision against the capitalised exploration and development costs with the balance provisions for environmental and other claim contingencies.

# Lucas and Eaton form £40m truck venture

By John Griffiths

LUCAS INDUSTRIES of the UK and Eaton Corporation, the US vehicle components multinational, are combining their world-wide truck braking system operations in a £40m joint venture employing 1,700 people.

The main benefits of the venture, one of the largest to be undertaken by either company, are increased access for Lucas to North American truck markets and an increased market presence in Europe for Eaton.

The as-yet-unnamed venture will have access to the partners' existing distribution and technical support infrastructures throughout the world.

Fine details of the structure and activities of the joint company are still being worked out. However, it is expected to become operational before the end of the year, with the UK group holding a majority of the shares.

The £40m capital employed is for a company expected to turn over some £100m a year, using mainly existing manufacturing facilities.

Although each partner already has a sizeable presence in the world market for heavy duty braking systems, the respective product ranges and individual market strengths are complementary.

Eaton is especially strong in off-highway truck and heavy duty trailer applications. Lucas is strong in the west European market for medium and heavy truck brakes.

In Europe, the joint venture will draw heavily on Lucas' truck brake manufacturing operations at Cwmbran, Wales and Koblenz, Germany, with most output sold through Lucas' aftermarket division. Manufacturing in the US will be concentrated at Eaton's Kalamazoo, Michigan, production facilities, backed by Lucas support facilities at Troy, Michigan and Eaton's Cleveland, Ohio, headquarters.

Eaton has collaborated with Rockwell International of the US on truck axle manufacturing in Europe, while Lucas Automotive has a car braking systems joint venture in the US with Sumitomo.

# On line to be big in personal communications

## Angus Foster charts the rapid growth of Hutchison Telecom's interests in the UK

AFTER TWO years of frantic deals and acquisitions, Hutchison Telecommunications (UK) has finally bitten off as much as it can chew.

Mr Richard Siemens, group managing director of Hutchison Telecom in Hong Kong, said the rapid expansion of the past two years would now stop. "In terms of the UK, we're done now. Now it's time to get down to business."

"Business" includes one of the largest cellular services in the UK, a national paging operation and, starting this year, a telepoint service.

Following yesterday's agreement with British Aerospace, Hutchison Telecommunications (UK) expects to spend up to £800m in the next five years developing a Personal Communications Network (PCN), technology which could replace cellular telephones over the next decade.

Mr Siemens, a one-time piano salesman who joined Hutchison when it bought his paging company, believes Hutchison Telecommunications (UK) now has the widest range of wireless telecommunications services on offer.

The company hopes to attract users who need various mobile telecommunications services yet prefer one operator. By being able to package different services together Hutchison will also be able to compete on cost.

Hutchison Telecom started business five years ago as a new business venture for Hutchison Whampoa, the conglomerate controlled by Mr Li Ka-shing, one of Hong Kong's richest men. Last month Hutchison Whampoa paid £90m for control of the Felixstowe container port in East Anglia.

After rapid growth in the Hong Kong cellular phone and paging market, Hutchison Telecom moved into the UK market in 1989 with the purchase of Quadrant Communications, a cellular telephone service. Hutchison viewed the UK, with its liberalised telecommunications market, as the entry point for Europe.

Since then the company has made a string of UK acquisitions, including the paging and cellular business of Millicom of New York and a controlling interest in the BYPS consortium, one of four UK telepoint licence holders. The company now has 170,000 cellular subscribers, making it one of the two largest cellular providers in the UK.

Not everything has gone smoothly with Hutchison's telecommunications ambitions. Last September Mr Li finally sold a 4.82 per cent personal stake in Cable and Wireless after failing to get board representation.

In 1989 Hutchison lost its bid for the franchise to set up Hong Kong's first cable TV network. The consortium which won the bid has subsequently cancelled its plans while Hutchison changed tack and set up an Asian satellite TV system, which has now started trial broadcasts.

Li Ka-shing: sold his stake in Cable and Wireless after failing to get board representation

Under yesterday's agreement British Aerospace has taken a 30 per cent holding in Hutchison Telecommunications (UK) in return for its Microtel PCN business. Hutchison Telecom in Hong Kong has reduced its stake to 65 per cent while Barclays Bank retains 5 per cent which it took following the BYPS purchase. Mr Siemens said Hutchison Telecommunications (UK) is now valued at £150m.

The deal has a nice twist. In 1989 Hutchison Telecom teamed up with Hanson and GTE but lost a bid for one of the three PCN licences on offer from the British government. Hutchison approached British Aerospace earlier this year to talk about buying into its consortium, which included Millicom and Pacific Telesis. Hutchison came in after Pacific Telesis and Millicom pulled out, the latter to pursue its own PCN experiments in the US.

Hutchison is to assume overall control of Microtel and will map out a five to six-year business plan for the company.

Mr Siemens said both Hutchison and British Aerospace wanted a dominant partner because they opposed consortiums where different shareholders' interests could compete.

Hutchison gets the backing of the British Aerospace name and its experience in satellite telecommunications from the deal. Hutchison does have a 33 per cent interest in Asiasat, Asia's first private satellite, but the company is stronger in the mobile telecommunications field.

Mr Siemens said that in developed markets like the UK, PCN will take over from cellular by the end of the decade. But in less-developed markets like Asia and eastern Europe, where telecommunications infrastructure remains poor, PCN could emerge even sooner because it will be cheaper to put in place than conventional networks.

PCN remains at an experimental stage but its potential advantages include offering the user a wider range of services. It could also "track" a user to his nearest phone, either in the office, the car or at home. Because traffic is handled at a much higher frequency than on cellular systems, each system can handle more users.

Outside the UK, Hutchison Telecom is still looking to expand. Yesterday the company's Australian subsidiary announced the A$16m (£7.5m) purchase of Motorola's paging operation. Hutchison will increase its subscriber base in Australia to 80,000 from 50,000 following the deal.

Mr Siemens, meanwhile, is not shy about his ambitions. "I believe we will be the second-largest telecommunications player in the UK within 10 years. Companies like Mercury won't even be competition," he said.

# Two years of patience pays off for Hutchison

By Richard Gourlay

THE MOVE by Hutchison Telecommunications (UK), ahead of today's presentation of the three PCN licences by the Department of Trade and Industry, is one of a series of changes in corporate ownership as the newest generation of mobile telecommunications moves closer to launch.

British Aerospace's sale of its interests in Microtel to Hutchison was preceded by the departure of Millicom, the US company, from the consortium to pursue its PCN interests in the US.

Earlier this year, BAe had also taken over the shares of Microtel held by Matra, the French group, and Pactel, the US telecommunications company.

At Unitel, a second licence winner, there have also been changes. Earlier this year the consortium lost the Deutsche Bundespost, which had held a 15 per cent stake but was no longer able to play a financial role because of commitments in eastern Europe, the consortium said.

This departure left the other original partners – Thorn EMI, Northern Telecom (formerly STC) and US West – each with a third of the company.

Further changes in this consortium might still happen. Since its takeover of STC, Northern Telecom has been reviewing its investment in Unitel.

The third licensee, Mercury Personal Communications, is the only consortium where original shareholdings have not changed. Cable and Wireless, Mercury's parent, holds 60 per cent and the bulk of the balance is controlled by Motorola of the US and Telefonica of Spain, with a small allocation as yet unannounced.

Two years ago Hutchison was thwarted in developing this PCN link in its wireless telecommunications business when the UK government rejected its bid for one of the three licences.

The Microtel deal leaves BAe with a broader base in the telecommunications market and less directly exposed to what some analysts believe will be a difficult market.

The PCN business, while following the success of Racal Telecom and Cellnet in the cellular market, is not likely to be as profitable. Analysts believe that the most profitable mobile communications customers will have been snapped up already by the earlier entrants to the market.

Pactel sold its stake to BAe in May, saying the investment risk was "unacceptable." It had concluded that consumers would view PCN as no different from the UK's two existing cellular services, while the cost of a UK network would be rather higher than originally estimated. Many analysts see the service as a high volume, relatively low value service – the opposite of the business profile of cellular telephony.


There is a limited amount of exhibition space available at the conference

FT

FINANCIAL TIMES CONFERENCES

FINANCIAL REPORTING IN THE UK

LONDON – 10 October, 1991

The Accounting Standards Board recently unveiled its agenda for reform and its plans to issue new edicts and proposals which will eventually lead to an overhaul of company balance sheets and profit and loss accounts. The reforms will affect not only companies, but investors, analysts, creditors and all others who rely on published accounts. This Financial Times conference will provide a practical, independent forum to review drafts on the agenda for reform.

Chairman: Mr Paul Boyle
Chairman
Financial Reporting Action Group

Speakers taking part include:

Mr Neville C Bain
Group Chief Executive
Coats Viyella Plc

Professor David Tweedie
Chairman
Accounting Standards Board

Mr Nigel Stapleton
Chairman, Technical Committee of the 100 Group of Finance Directors

Mr David Nash
Group Finance Director
Grand Metropolitan plc

Mr Graham Stacy
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Executive Director
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# Interest turnround restricts Carclo decline

By David Owen

CARCLO Engineering's net cash holdings stood the company in good stead in the year to March 31.

The Leeds-based card clothing, speciality wire and engineering product group unveiled pre-tax profits of £8.04m - down just 9 per cent from £8.83m in 1989-90.

The shallowness of the decline was attributable largely to £526,000 of interest receivable, against £1.77m payable a year ago. At the operating level, profits fell by some 30 per cent to £7.32m (£10.5m).

Mr John Ewart, chairman, warned that trading conditions had been difficult since the year-end and that first half profits would be "disappointing" compared with a year-earlier.

The turnround in the interest position was due to the April 1990 sale of the springs and forgings part of its Woodhead division. This also gave rise to an extraordinary gain of £3.86m and accounted for most of the 24 per cent decline in overall turnover from £111.6m to £85m.

Net cash at the year-end amounted to £3.3m, compared with net borrowings of £12.8m a year ago.

By activity, card clothing contributed profits of £2.9m (£4.11m) on turnover of £16.9m (£18.6m), while wire chipped in £2.63m (£3.16m) on turnover of £26.5m (£27m).

General engineering profits amounted to £2.52m (£2.76m) on turnover of £25.8m (£22.4m). The RSR commercial vehicle part business that Carclo has been trying to sell contributed a small profit of £234,000 (after a £200,000 property gain) against a loss of £83,000 on turnover of £15.9m (£18.7m).

Earnings per share dipped from 15p to 13.7p. A recommended final dividend of 6.1p makes a total of 7.81p (7.1p) for the year.

**● COMMENT**

The timely springs and forgings disposal has given Carclo's balance sheet an air of solidity that many small engineering companies must envy in these recessionary times. Operating performance is far from sparkling, however, and analysts are staking much on a second-half upturn if their 1991-92 profit forecast of £7m is to be attained. On this basis, and allowing for a slight increase in the effective tax rate, the high-yielding shares – which yesterday climbed 2p to 123p – are on a multiple of 10.7. Whether or not one regards this as good value depends partly on one's faith in the management's ability to land the right acquisitions at the right price.

# Macarthy's rise to £2.75m gives boost to bid defence

By Jane Fuller

MACARTHY, the pharmaceuticals retailer and manufacturer, bolstered its defence against Grampian Holdings by delivering a 15 per cent increase to £2.75m in pre-tax profit for the six months to March 30.

The target's share price closed up 2p at 233p as full-year profit forecasts were upgraded to between £5m and £5.5m. This put it 31.4p ahead of the all-paper bid level of 201.6p at yesterday's close, valuing the group at £56.1m.

Macarthy's progress fuelled speculation that Grampian would have to increase its offer of one ordinary and eight convertible preference shares for every five Macarthy, and add a cash element.

The interim improvement, from £2.39m, came from a 55 per cent increase in operating profit to £1.81m in the pharmaceuticals products division and through the veterinary business returning to the black.

These gains offset a fall to £2.38m (£2.67m) in retail pharmacy and a dwindling of health foods profit to £11,000 (£189,000). Turnover fell to £101.83m (£189.03m) following the sale of the low-margin pharmaceuticals wholesaling operation.

Earnings rose to 7.1p (6.2p). The interim is held at 5p.

# Renaissance calls in administrative receivers

By Andrew Bolger

RENAISSANCE Holdings, an investment trust which specialises in recovery situations, yesterday appointed administrative receivers. The shares were suspended at 48p on June 26, giving the company a market value of a little less than £5m.

One of the receivers, Mr Tony Houghton, of the accountants Touche Ross, said the outlook was fairly grim for shareholders. The company had bank borrowings of £10m and had been brought down by liquidity problems.

The portfolio extends to 26 investments over several industries, with a significant involvement in the US and France.

Mr Houghton said the receivers intended to achieve an orderly work-out of the company's portfolio including, if appropriate, further support for specific investments.

# API hits out at NMC offer

API Group, which is on the receiving end of a hostile £24m all-share bid from the rival packaging company NMC, yesterday said it was well advanced in implementing its recovery strategy and forecast that it would maintain its final dividend this year, writes John Thornhill.

In its defence document, API said NMC was trying to reap the benefits of its recovery on the cheap. "API now comprises a well defined group of companies with excellent manufacturing facilities and a major presence in business areas which offer good growth prospects," it said.

API also turned its fire on NMC's management which it claimed had indulged in frantic corporate dealing and speculative property ventures in the late-1980s leaving it highly-geared and over-extended.

Mr Norman Gordon, NMC's chief executive, dismissed API's defence document saying it had not addressed the basic issues of why the company had collapsed from a pre-tax profit of £7.4m in 1988 into interim losses of £849,000 in 1991.

"API does not have the plans nor the personnel to implement a recovery," he said.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres-ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Barr (AG) | int | 1.0833 | Aug 14 | 1.0833* | - | 5.2* |
| Bucknall § | fin | 3.5† | Oct 1 | 3.5 | 4.8 | 4.8 |
| Carclo Eng | fin | 6.1 | Sept 12 | 5.55 | 7.81 | 7.1 |
| Creighton's Nat | fin | 4.4 | Sept 16 | 4 | 6.2 | 5.6 |
| Macarthy | int | 5 | Oct 7 | 5 | - | 12.5 |
| Mosaic Inv | fin | 5.75† | Oct 4 | 4.25 | 9.25 | 7.25 |
| Reliance Secy | fin | 6.2 | October | 5.2 | 8.4 | 7 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Invicta Sound, Low & Bonar.
Finals- Bexbuild Developments, Bogod, Coletax & Fowler, Howden, Real Time Control.

FUTURE DATES

Interims-

| | |
|---|---|
| Automated Security | Jul. 15 |
| Britannic Assurance | Aug. 14 |
| Campari Intl | Jul. 17 |
| Cardiff Property | Jul. 10 |
| Castle Cairn Inv | Jul. 19 |
| Domino Printing Sciences | Jul. 11 |
| Fleming American Inv | Jul. 11 |
| Grosvenor Dev Cap | Jul. 19 |
| Hill & Smith | Jul. 25 |
| Lex Service | Jul. 26 |
| ML Laboratories | Jul. 17 |
| Rentokil | Aug. 22 |
| Trilion | Jul. 12 |

Finals-

| | |
|---|---|
| Alan Paul | Jul. 10 |
| Brittwiy | Jul. 16 |
| Cabra Estates | Jul. 18 |
| Christie | Jul. 12 |
| Clark (Matthew) | Jul. 16 |
| Forminster | Jul. 26 |
| Hampson Inds | Jul. 18 |
| Independent Inv | Jul. 22 |
| Pepe | Jul. 12 |
| Radius | Jul. 24 |
| TR Technology | Jul. 11 |
| Total Systems | Jul. 10 |


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مكرر حسب الأصل

## UK COMPANY NEWS

# Humble pie replaces 'crap' at Ratners' annual meeting

By Andrew Bolger

MR GERALD Ratner dutifully went to London's Savoy Hotel yesterday and swallowed another large portion of humble pie, watched by assembled shareholders in his jewellery group.

The chairman apologised to the Ratners Group annual meeting for the adverse publicity which followed his description in April of some of the group's merchandise as "crap".

Mr Ratner insisted he had been misreported. He had applied the term solely to a sherry decanter set, not the group's jewellery products, which he said had always represented good value for money and high quality.

However, he did plead guilty to naïveté. He had tried to make what was meant as a light-hearted comment to brighten up an otherwise gloomy discussion of recession at a conference organised by the Institute of Directors.

Mr Ratner's contriteness was well received by the meeting. Brightening visibly, he could not resist repeating that a prawn sandwich from Marks and Spencer cost more than his group's cheapest pair of earrings – another reference which cost him dear in the row over his speech.

Mr Ratner said it was difficult to judge whether the publicity did cut sales – not least because the group's UK sales were down 6.8 per cent in the first six months of the year, compared with a particularly strong first half last year.

The chairman said he was sure any adverse effect would have been confined to the Ratner shops and not other group outlets, such as H Samuel and Zales. Sales of engagement rings were down, "but then fewer people are getting married".

On the general trading outlook, Mr Ratner said: "Although the economic climate continues to be difficult in the UK, I am pleased to say that in the last few weeks we are seeing definite signs of a pick-up in the US."

US sales were 1.6 per cent higher and Kay had been successfully merged into the group's existing US business.

Mr Ratner added: "We are hoping that the recent encouraging trend in the US will be repeated here and that this recession has reached its lowest point. A recovery later in the year will be particularly good news for us as we make nearly all of our profits in the last quarter."

Trevor Humphries

Gerald Ratner: pleaded guilty to naïveté. He was trying to brighten up a gloomy discussion of the recession

# Turtles join Dennis The Menace to lift Mosaic

By Roland Rudd

TEENAGE Mutant Hero Turtles, The Dandy, The Beano and Thunderbirds helped Mosaic Investments achieve record taxable profits of £7.6m for the year to April 30.

That represented a 56 per cent increase on the previous £4.8m. Turnover jumped from £26.6m to £42.8m.

Copyright Promotions, which licenses the popular cartoons and comic characters, was mainly responsible for the increased profits. It helped the marketing services division make an operating profit of £3.07m (£1.69m).

That more than offset a disappointing result from moulded products which saw operating profits fall from £1.4m to £995,000 reflecting the fall in demand for spirit measures as a result of changes in UK and European Community legislation.

A strong cashflow enabled the group to meet half this year's £12.2m acquisition costs from internal funds. Mr Brian Disbury, chairman, said the company would continue to expand through takeovers.

Borrowings increased to £4.5m, representing 49 per cent of shareholders funds. Mr Disbury said he expected to reduce gearing by the end of the year.

Earnings per share were up 13 per cent from 28.7p to 32.4p. A final dividend of 5.75p is proposed, making a total for the year of 9.25p (7.25p).

# Saatchi reshuffles senior management

By Alice Rawsthorn

SAATCHI & SAATCHI, the advertising group which recently completed a financial rescue package, is reshuffling its senior management team and promoting Mr Charles Scott from finance director to chief operating officer.

Saatchi is also joining the growing number of companies appointing women to senior positions by appointing Ms Wendy Smyth, 37, finance director of its communications division, to the post of chief financial officer.

She will report to Mr Scott, 42, who retains main board responsibility for finance. Mr Scott, who joined Saatchi 18 months ago and has since played a leading role in its financial restructuring, is taking over operational responsibility for the group from Mr Robert Louis-Dreyfus, chief executive.

Mr Louis-Dreyfus, who joined Saatchi at the same time as Mr Scott, will continue to be in charge of group strategy. The heads of Saatchi's five operational divisions – which include advertising, public relations, media buying and direct marketing – will report directly to Mr Scott.

Mr Scott said the changes should create a "cleaner, more rational structure". He added that "after the roller coaster time" around the restructuring, his chief priority was to ensure that the group had a period of "stability".

The senior management changes also involve moving Mr Simon Mellor, director of corporate communications, into Saatchi & Saatchi Advertising International as commercial director. He will relinquish his seat on the main board.

Saatchi, like the rest of the advertising industry, has suffered from the downturn in the US and UK markets in the past year or so. Mr Scott said there was no sign of recovery in either market and for the foreseeable future Saatchi would continue "battening down the hatches".

## NEWS DIGEST

# AG Barr declines to £1.17m

TAXABLE PROFITS at AG Barr, the Glasgow-based soft drinks manufacturer, declined from £1.48m to £1.17m in the half-year to April 27.

Mr William Barr, chairman, ascribed the fall to the sluggishness in retail sales caused by the present recession; the imposition of an extra 2½ per cent on VAT; the restructuring of the company's production and distribution (the Evesham factory was closed at the end of May); and the increase in the marketing budget, especially for Irn-Bru, Barr's leading brand.

Turnover rose to £41.1m (£38.7m) and there was a fall in net interest paid to £713,000 (£780,000). Earnings dropped to 4.37p (5.32p) per share and the interim dividend is unchanged at 1.0833p after the 2-for-1 scrip issue.

## Powerscreen makes £3.3m acquisition

Powerscreen International has acquired Matbro, a West Country-based maker of mobile hydraulic machinery, for £3.3m cash, of which £1.3m is payable over the next 12 months.

The acquisition represents further expansion of Powerscreen's core business in the manufacture of material handling equipment, by the addition of a product range not previously provided by the company.

## Reliance Security expands to £3.3m

Reflecting the earlier investment in infrastructure, Reliance Security saw turnover expand to £56.1m and pre-tax profit to £3.25m in the year to April 26.

This compared to £46m and £2.71m respectively reported for the previous 55 weeks, giving annualised growth rates of 29 per cent in turnover and 27 per cent in profits.

The results were struck after start-up losses on the expansion of the management and manpower services business, and significant initial losses from the move into electronic security, said Mr Brian Kingham, chairman.

But that was a "worthwhile price for entry into this exciting new market," he claimed.

Mr Kingham was optimistic for significant growth in the current year, but pointed out that electronic losses would continue in the first half. Earnings per share were 19.4p (17.2p). The final dividend is 6.2p for a total of 8.4p (7p).

## Significant growth for Creighton's

As demand for its products was strong, both in the home market and abroad, Creighton's Naturally – which manufactures toiletries, soaps and fragrances – increased sales 40 per cent and trebled pre-tax profits in the year ended March 31.

Sales totalled £11.1m (£7.92m) and profit £720,000 (£243,000). Earnings per share came to 10.4p (3.5p) and the total dividend is 6.2p (5.6p), the final being 4.4p.

## Strong & Fisher returns to profit

Strong & Fisher, the leather company 70.3 per cent owned by Hillsdown Holdings, will report a "very satisfactory" result for the six months to June, Mr Michel Buswell, chairman, announced in a letter to shareholders.

In addition, indications were that the result for the 12 months to December 1991 would eliminate the £7.48m loss reported for the six months to December 1990.

The action taken to reorganise the group in February brought it back to profitability "more quickly than I could have hoped" he said. Staff levels and overheads had been reduced in all sectors apart from rendering.

Directors do not propose to declare a dividend for the period to June, but if the result for the 18 months to December 1991 was satisfactory a dividend would then be paid.

## Dean & Bowes move to restore base

Mr Stephen Dean, chairman and chief executive of Dean & Bowes, will increase his holding of the company's capital to 24.4 per cent after a proposed acquisition and rights issue go through.

He is selling Hemingford Investments, a property company, to Dean & Bowes for £902,000 satisfied by 1.39m shares. The latter will then raise £1.38m via a rights issue of 2.68m shares on a 1-for-6 basis at 60p each, and Mr Dean will take up 50 per cent of his entitlement.

At June 14, Dean & Bowes' net bank and other borrowings amounted to £4.8m against net assets of £4.5m at end-1990 fully adjusted for the TFL demerger. The acquisition and rights will increase the pro forma assets by about £2.3m and reduce borrowing by £600,000.

## Bucknall shows 21% downturn

Bearing in mind current difficulties in the construction industry, Bucknall Group felt that its results for the year to April 30 were "satisfactory".

Turnover was maintained at £20.8m (£20.9m) but pre-tax profit fell 21 per cent to £1.23m (£1.55m).

Mr David Bucknall, chairman of this USM-quoted group of quantity surveyors, cost and project managers, said that the market had reduced more quickly than anticipated and it had been necessary to adjust accordingly.

To meet declining volumes the group rationalised its overheads, which included redundancies.

Earnings fell to 10.2p (14p) per share but an unchanged final dividend of 3.5p holds the total at 4.8p.

## £4m buy and profits warning at Lilleshall

Lilleshall, the industrial distribution, engineering group, has acquired Vanplas Holdings, which makes and distributes products for the uPVC replacement window industry, for up to £4m.

At the same time, Mr John Leek, Lilleshall chairman, warned of "significantly lower" profits in the first six months of 1991.

The initial £1.9m for Vanplas is to be satisfied by the issue of 198,020 9 per cent cumulative convertible redeemable preference shares and £1.7m cash.

# Allied Dunbar seeks link with deposit taker

By Richard Lapper

ALLIED DUNBAR, the biggest unit-linked life insurer in the UK, is increasing its efforts to link up with a bank or building society.

Mr Sandy Leitch, managing director of the company, a subsidiary of BAT Industries, said the development of a deposit-taking facility – through either the acquisition of a stake or an alliance with a bank or building society – was a central component of the company's strategy. It could give a "quantum leap" to sales growth.

Allied Dunbar had been looking to develop "a captive client base" for two years. Negotiations with Barclays collapsed last year because the parties could not agree on control of a joint venture.

Mr Leitch believed that one project currently being developed had a 25 per cent chance of success. Three other possibilities were under consideration. "I would be disappointed if we had not found a solution by the end of 1992."

The company was also aiming to improve sales of new products to its existing client base of 1.2m customers.

One prototype venture – Dunbar Vida y Pensiones – was underway in Spain. France, Italy and Germany were also being targeted.

Allied Dunbar had recently been hit by the departure of a number of its leading salesmen to Sumner Wilson, the new life insurance company formed by its former chairman, Sir Mark Weinberg, and two former executives, Mr Mike Wilson and Mr Brian Carby.

Mr Leitch played down the effect of the defections, saying that "90 per cent of the people we wanted to stay have stayed."

Although conditions in the life insurance sector were tough, Mr Leitch said Allied Dunbar had increased its share of new business over the first six months of 1991 from 4 per cent to 4.2 per cent.

## FT LAW REPORTS

# Ethiopian port was unsafe

THE SAGA COB
Queen's Bench Division (Commercial Court): Judge Diamond QC sitting as a High Court judge: May 23 1991

A PORT which has only experienced one seaborne guerrilla attack on shipping may nevertheless be characterised as an unsafe port within the meaning of the Shelltime 3 form of charter if, having regard to the general situation in and around the port town, which suffers sporadic attacks by land, there is some foreseeable risk of seaborne attack on ships as they proceed to or from, or lie at anchor at the port.

Judge Diamond QC sitting as a High Court judge so held when giving judgment for the plaintiffs, K/S Penta Shipping, owners (as demise charterers) of Saga Cob, on a claim against charterers, Ethiopian Shipping, for breach of charterparty.

HIS LORDSHIP said that Saga Cob was chartered on February 15 1988 by a charterparty on the Shelltime 3 form.

Clause 3 of the charter provided: "Charterers shall exercise due diligence to ensure that the vessel is only employed between and at safe ports... Charterers shall... be under no liability... save for loss or damage caused by their failure to exercise due diligence."

The charterers were an Ethiopian state-owned company. One of their long-term functions was the carriage of petroleum products from a refinery at Assab to oil terminals at Massawa and Djibouti. The pattern of trading was exclusively between those ports.

By August 1988 Saga Cob had called at Massawa about 20 times without any untoward consequences. On August 26 the charterers ordered her to carry a cargo of aviation fuel from Assab to Massawa. While anchored at Massawa on September 7 she was attacked by guerrillas in motor boats. They fired heavy machine guns and rocket grenades, wounding the master and causing substantial damage to the vessel.

The owners claimed under clause 3 of the charter for loss resulting from the casualty. The charterers denied breach of clause 3.

The attack had been carried out by a guerrilla force of the EPLF, the Eritrean People's Liberation Front.

Eritrea constituted the northernmost region of Ethiopia. There had been opposition to the association of Eritrea and Ethiopia for many years. The EPLF came into existence in the mid-1970s.

The Ethiopian army was supplied with massive quantities of weaponry from the Soviet Union. Massawa comprised a naval base and a commercial port. The EPLF regarded it as an important strategic target. It considered the port's main purpose was to supply the Ethiopian army.

In 1988 activity by the EPLF in and around Massawa was sporadic. Small groups of guerrillas would occasionally advance in the direction of Massawa and fire artillery into the town from the surrounding hills.

By April 1988 the EPLF also had a few small boats which could be used for attacking government-controlled targets.

There was second hand evidence that between April and August 1988 artillery attacks took place about every four to five weeks and were regarded more or less as routine.

It was not, however, clear whether such attacks constituted a risk to shipping.

On May 31 1988 three small speedboats attacked Omo Wonz, proceeding towards Massawa with munitions for the Ethiopian army. Two of the crew were injured, and the vessel was damaged.

The evidence showed that even before the attack on Omo Wonz the Ethiopian navy had provided an escort as and when it thought necessary for vessels on that route.

Immediately after the Omo Wonz attack, by a letter dated May 31 1988, the master of Saga Cob wrote: "The voyage Assab-Massawa and vice versa is getting dangerous. It is quite unsafe for the ship and her crew."

In the immediate aftermath of the Omo Wonz incident Saga Cob was ordered to proceed in convoy on two or three voyages. After new instructions in June from the naval authorities escorts were provided sporadically; as and when the authorities thought fit.

There were two elements in clause 3.

The first question was whether, when the August 26 order was given, Massawa was a safe port. The second was whether the charterers exercised due diligence to employ the vessel between safe ports.

As to the meaning of "safe port", in *The Evia (No.2) [1983] 1 AC 736* Lord Diplock said the contractual promise was concerned with the port's "prospective safety" when the vessel would be there. Lord Roskill said that if the port's characteristic was such that it was prospectively safe, the charterer would not be liable for loss due to "some unexpected abnormal event".

If the risk was an abnormal occurrence, it would usually not constitute a characteristic of the port and so would not render the port prospectively unsafe.

The charterers contended that a distinction had to be drawn between land attacks on buildings in Massawa, and seaborne attacks on anchored vessels. It was submitted that if a port was unsafe because of one kind of danger but a vessel suffered damage from another which was not a characteristic of the port, breach of warranty of safety did not cause the owner's loss.

On the facts of the case the correct approach was to ask whether there was a foreseeable risk on August 26, 1988 when the vessel was ordered to Massawa, that it might be exposed to attack while proceeding by sea to the port, staying at anchorage or departing by sea from the port. If that risk was foreseeable it *prima facie* followed that it was a characteristic of Massawa at the relevant time, and that Massawa was prospectively unsafe by virtue of that risk.

But while the right approach was to look primarily at the risk of seaborne attack, there was no reason why that risk should be viewed in isolation from the general situation in and around Massawa. The situation was relevant in that it might assist the court in assessing whether there was a foreseeable risk of attack.

A number of factors pointed towards the conclusion that in August and September 1988 approaches by sea to and from Massawa had a propensity to the risk of seaborne attack by EPLF units.

First, even before the Omo Wonz incident the risk had been sufficiently serious for the Ethiopian naval authorities to think it necessary to institute a convoy system for some vessels, particularly those carrying overtly military cargoes such as Omo Wonz.

Second, the attack on Omo Wonz demonstrated that the risk existed.

Third, the EPLF would have regarded aviation fuel as a legitimate military target.

Fourth, the naval authorities' security procedures would not have eliminated the risk of seaborne attack.

Finally, in his letter of May 31 the master of Saga Cob referred to his fear that the voyage was getting dangerous.

Those matters went a long way towards establishing that in August 1988 there was a risk of seaborne attack on vessels while proceeding to or from Massawa or lying at anchorage. These matters, moreover, had to be viewed in the context of the wider situation in and around Massawa.

The strategic importance of Massawa to the Ethiopian government would have been obvious to the EPLF. So was the strategic importance of keeping open the supply route by sea. So was the military importance of the aviation fuel. The EPLF was based only a few kilometres from Massawa and since it had a number of small vessels capable of launching attacks on strategic targets, it was foreseeable that they might attempt to strike again.

By August 26 it was a characteristic of Massawa that vessels proceeding to or from the port or lying at anchor outside it could be subject to seaborne attack by the EPLF. That characteristic might not have involved a high degree of risk, but it was not negligible. By reason of that characteristic the port was prospectively unsafe, and it was that sort of unsafety which resulted in damage to the vessel.

The facts known to the charterers should have led them to conclude that there was a small but appreciable risk that a vessel ordered to Massawa in August 1988 might be the subject of seaborne attack. That being so they failed to exercise due diligence to ensure that the vessel was only employed between and at safe ports.

In ordering the vessel to Massawa the charterers were in breach of clause 3. The damage caused by such breach included loss sustained by the owners as a result of the attack on September 7.

*For the shipowners: Jonathan Gaisman (Herbert Smith).*

*For the charterers: Jeremy Cooke QC (Richards Butler).*

In *Lonrho plc, FT July 3*, counsel for the Fayeds included Lord Irvine of Lairg QC, and Philip Sales.

**Rachel Davies**

*Barrister*


Fleming American Fledgeling Fund
(SICAV)
45, rue des Scillas
L-2529 Howald
Grand Duchy of Luxembourg
R.C. B 21908

Notice of merger

Pursuant to a resolution adopted at the Extraordinary General Meeting of shareholders held on 8 July 1991, the Fleming American Fledgeling Fund will be merged with the Fleming Flagship Fund, of the class FFF-Fleming American Fledgeling Fund, effective as at 8 July 1991.

Therefore, from 8 July 1991 to 8 August 1991, the share certificates of the Fleming American Fledgeling Fund will have to be remitted for exchange to:

Fleming Fund Management
(Luxembourg) SA
45, rue des Scillas
L-2529 Howald
Grand Duchy of Luxembourg

or to:

Kredietbank SA Luxembourgeoise
43, Boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

The Rate of Exchange is one share of FFF-Fleming American Fledgeling Fund for every one share in the Fleming American Fledgeling Fund. Fractional entitlements will always be issued in registered form.

As from 9 August 1991, shares of Fleming American Fledgeling Fund will no longer be good for delivery at the Luxembourg Stock Exchange.

By order of the Board of Directors

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| Sept 2490/2500 -20 | Sept 2924/2936 -11 |

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The Korea 1990 Trust
International Depositary Receipts
Evidencing Certificates in respect of 1,000 Units in the Trust

NOTICE IS HEREBY GIVEN to Unitholders that The Korea 1990 Trust has declared a dividend in The Republic of Korea amounting to Won 45,000 per Certificate in respect of 1,000 units, payable on or after August 1, 1991.

Payments of Coupon No 2 of the International Depositary Receipts, will be made on or after August 1, 1991 against presentation of the Coupons to the Depositary or to one of the Depositary Agents listed below, (in the case of Holders of bearer IDRs), or (in the case of Holders of registered IDRs) to Holders that the Depositary is satisfied were on the Register on the Record Date – June 30, 1991:

DEPOSITARY
Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
Luxembourg Grund
L2012 Luxembourg

DEPOSITARY AGENTS
The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

Chase Plaza
34-35 Chung-dong
Choong-ku
Seoul
Republic of Korea

Corporate Trust Administration
1 New York Plaza
New York
NY 10081
U.S.A.

Chase Manhattan Bank (Switzerland)
63 Rue du Rhône
CH-1204 Geneva
Switzerland

The amount of dollars payable in respect of Coupons presented to an Agent of the Depositary by the Close of Business on July 30, 1991 and Holders on the Register on the Record Date shall be the net proceeds of the sale of the amount of Won for US dollars at the prevailing telegraphic transfer selling rate of US dollars for Won as quoted by a foreign exchange bank in Korea on the day on which the relevant transfer is made.

The dividend proceeds will be distributed to IDR holders in proportion to their respective entitlement and after the deduction of all taxes and fees, charges, duties and expenses of the Depositary.

All Certificate holders are required to submit the name and address of a bank in New York and a US dollar account number for payment, or an address for which payment should be sent by US dollar cheque.

All holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated Depositary Agents, a certificate showing their residence, together with a copy of the Certificate of Incorporation, or, for individuals, a copy of their passport. These documents are requested by the Korean National Tax Administration Office as evidence of residence.

Without such proof of residence, the full rate of 26.875 per Korean non-resident withholding tax will be retained.

All documents should be submitted to the Depositary or a Depositary Agent by July 30, 1991.

Chase Manhattan Bank Luxembourg S.A.
as Depositary

Standard Chartered
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(incorporated with limited liability in England)

US$300,000,000 Undated Primary Capital Floating Rate Notes (Series 4)
(of which US$200,000,000 has been issued as the Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the six month period, (184 days), from 9th July, 1991 to 9th January, 1992 the Notes will carry interest at the rate of 6.65 per cent. per annum.

Interest payable on 9th January, 1992 will amount to US$339.89 per US$10,000 Note and US$3,398.89 per US$100,000 Note.

Chartered WestLB Limited
Agent Bank

Standard Chartered
Standard Chartered PLC
(incorporated with limited liability in England)

US$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 9th July, 1991 to 9th August, 1991 the Notes will carry interest at the rate of 6.625 per cent. per annum.

Interest accrued to 9th August, 1991 and payable on 9th January, 1992 will amount to US$57.05 per US$10,000 Note and US$570.49 per US$100,000 Note.

Chartered WestLB Limited
Agent Bank

# US-based fund squeezed in London nickel market

**By Kenneth Gooding, Mining Correspondent**

FOR THE second time in only four months the Mint Fund, a California-based organisation 50 per cent owned by E.D. & F. Man, the London trade house, was at the centre of a technical squeeze which had driven up prices on the London Metal Exchange, traders said yesterday.

It was suggested that some traders were attempting to force the fund, which had sold metal it did not have in the expectation of buying it later at a lower price, to cover at a loss 6,000 to 9,000 tonnes of nickel it had contracted to deliver in mid-August. The LME executive is monitoring the situation carefully but last night had not decided whether it should take some action to alleviate the impact of the squeeze.

Nickel prices eased back yesterday and the premium for immediate delivery compared with three-month metal, known as the "backwardation", narrowed by $25 to $187.50 a tonne. But the premium to borrow August nickel (buy spot metal and sell forward) against September was maintained at about $105 a tonne.

The Mint Fund was on the receiving end of a squeeze in the zinc market in April. On that occasion Metallgesellschaft, the German group which, with associates, controlled most of the available zinc, informally undertook to make metal available at reasonable prices and to keep the market liquid.

Some analysts called yesterday for the exchange's executive to take action over the nickel market's difficulties because, they suggested, such squeezes caused long-term damage to the LME by driving away potential users.

The squeeze also comes at a time when some nickel producers are attempting to wrest the initiative for setting world prices away from the LME and re-establish some form of producer pricing.

SLN (Societé Métallurgique le Nickel) said last month that it had signed three-year copntracts to supply ferro-nickel with a fixed price for the first year of $3.90 a lb ($8,596 a tonne), with most of Europe's stainless steel mills and called for other nickel producers to follow its lead. SLN said it hoped that its new contracts would help to curb what it called "excessively volatile" nickel prices.

Mr Martin Abbott, the LME's marketing director, admitted last night that the importance of the exchange's nickel contract would be diluted if nickel producers were successful with such contracts. But he pointed out: "There has yet to be a successful producer price for any commodity."

# Portugal quickens pace of energy programme

## Several major projects are likely to be given the go-ahead soon, writes Patrick Blum

THE PORTUGUESE government's efforts to modernise the country's energy sector and diversify supplies away from its heavy dependence on imported oil are accelerating with several major projects likely to be given the go-ahead soon.

This month the government will announce the winners of bids for separate contracts that could be worth up to Esc180bn ($1.1bn) to build and manage a natural gas network for a vast area extending along a wide band of the coastal region from Setubal, south of Lisbon, to Braga in the north. Several international and Portuguese groups have joined forces to compete for the contracts.

The award of another contract to build and manage an 800 Mw gas-fired power plant at Tapada do Outeiro in northern Portugal – estimated investment up to Esc100bn – is expected by the end of the summer, with Siemens of Germany and GEC Alsthom, the Franco-British group, as the two leading contenders.

This autumn, the government also will announce which of several large international groups has won the concession to develop and manage the Pego 1200 Mw coal-fired power plant, now under construction with a forecast investment of about Esc300bn. The plant, about 100 km (60 miles) north of Lisbon, will supply about one third of the country's electricity when completed.

### Expansion and modernisation of the sector could involve investments exceeding $6bn

These projects are just some of several major undertakings planned to expand and modernise the energy sector with investments that could exceed $6bn over the next three to four years. They will be accompanied by the partial privatisations of Petrogal, the oil group, and of Electricidade de Portugal, the electricity utility.

First off the mark, will be the announcement of the winning bid for the concession to build and manage a liquefied natural gas terminal in Setubal and a high pressure primary gas pipeline. Two large consortia have put in bids for the estimated Esc130bn contract.

The first consortium is led by Gas de Portugal (GdP) having a 25 per cent stake, Gaz de France, 19.6 per cent, Ruhrgas of Germany, 17.1 per cent, Total, the French oil company, 12.3 per cent, and two Portuguese groups with 8 per cent each. The remaining 10 per cent is reserved for the state.

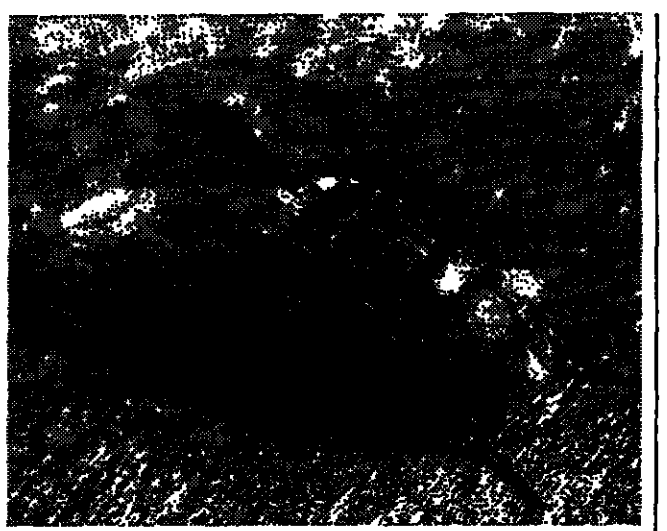
The second consortium is led jointly by Enagas of Spain and Snam of Italy, each with a 25.5 per cent stake, with Petrogal, the Portuguese oil company, with 15 per cent, Elf Aquitaine, the French oil group, with 10 per cent, and several Portuguese groups with 14 per cent, and another 10 per cent reserved for the state.

The GdP led consortium is reported to be the favoured choice in a widely leaked report of a government commission established to evaluate the bids that was presented to last month's meeting of the council of ministers. A decision could be made this week, and is unlikely to be delayed much beyond that to avoid further speculations and rumours about the project. Mr Luis Fernando Mira Amaral, the Industry and Energy Minister, says he wants to have a decision on the project as well as on an associated secondary gas distribution network before the end of July.

This involves attributing contracts for separate but related tenders to build and manage three regional secondary natural gas distribution networks for the north, the centre and the south. A fourth concession for the Lisbon area was given to GdP last month. Investment for the four concessions is estimated at above Esc50bn.

Several groups are in competition for the remaining three concessions, including the Amorin group, a diversified Portuguese company, in association with Catalana de Gas and Madrid Gas, both of Spain. Several other groups, including Gaz de France, Italgas of Italy, and GdP, some of which have cross-bids with different partners for separate regions have also put in bids.

The European Commission has approved funds for both projects under its Regen programme, which is designed to help member states develop energy resources and supplies. Mr Mira Amaral says the EC will provide about Esc20bn in cash grants for the terminal and primary pipeline, and soft loans will be made available from the European Investment Bank. EC funds are also available to help to finance the secondary distribution network to homes and industry.



The New World screwworm fly has caused "hundreds of millions of dollars in damages to livestock and wildlife in the US, Latin America and Canada", says the UN Food and Agriculture Organisation, which describes it as "the most destructive pest in the western hemisphere", writes John Madeley. It spread to Africa for the first time in 1989, when it was detected in Libya. To stop the fly spreading on the African continent an international campaign has been mounted to drop 40m sterile male flies a week over Libya, in the hope that mating will not yield offspring and that the pest will therefore die out eventually. This year, up to the end of May, only six infested animals had been reported, compared with 1,000 in the same period last year.

# EC studies drift net curb

EUROPEAN COMMUNITY fisheries ministers opened talks yesterday aimed at reducing environmental damage and ending stock depletion caused by intensive fishing in community waters, reports AP from Brussels.

The EC Commission has proposed banning drift nets that exceed 2.5 km (1.55 miles) because the nets kill off endangered species along with the target catches.

Environmental groups, including Greenpeace, back such a ban, arguing hundreds of thousands of small whales, dolphins and porpoises get killed that way each year. The United Nations is calling for an end to drift net fishing by the middle of next year.

Drift nets now can be as long as 50 km (30 miles). They form a gigantic wall in the water catching everything within their reach. They are often used for tuna fishing in community waters.

# Keeping the agricultural shows on the road

## The costs of exhibiting are becoming too much for many recession-hit companies

**FARMER'S VIEWPOINT**

**By David Richardson**

THE ATMOSPHERE, the company and the conversation at agricultural shows are for me some of the greatest pleasures of life. But as this year's show season draws towards its close there is concern among those like me who help to organise such events about their future viability.

Committees are already being convened to discuss and try to decide what changes are needed. One of their main tasks will be to decide what to do with all the space which may be left vacant by trade stand holders who may not return to their traditional pitches.

The reason of course is the recession. At last week's four-day Royal Show at Stoneleigh, Warwickshire, for instance, about 40 of the 1,000 or so companies that normally exhibit there had pulled out. A mere 4 per cent drop may not sound like a crisis but many of those not present were machinery manufacturers that previously took up bigger than average stand space as well as bringing prestige to the event.

The organisers had managed to re-let some of the space and claimed that 96 per cent of the ground had been filled but there were obvious gaps, not only of space but of variety and quality. Furthermore most of the major exhibitors who did come as usual appeared to be doing little business and some will obviously review their exhibition policy before next year.

Of those who failed to appear this year, some had gone bust, some had been taken over and others had decided they could no longer justify the expense of two national trade shows per year. For some companies the situation is beginning to crystallise into a competition between the Royal Smithfield Show, held each December at Earl's Court in London and the July Royal Show held in the open air at Stoneleigh. More and more of them are saying that they cannot afford to support both.

And that of course is the nub of the problem. Exhibiting at any show is an expensive exercise. According to Mr Robin Hicks, the chief executive of the Royal Show, for every £1,000 spent hiring stand space at Stoneleigh exhibitors can expect to spend a further £8,000 on mounting and manning their stand. His estimate of the total cost of staging last week's agricultural extravaganza was more than £10m.

For an industry in crisis that is a great deal of money and, as most long-term machinery stand holders will confirm, the tangible commercial value of exhibiting has been dubious for some years. The plain fact is that these days farmers seldom buy at shows. They go to look, they hope for some hospitality and they move on. They usually make their purchase, if any, however, on the basis of a working demonstration of the piece of equipment in question – often on their own farm.

In the past most manufacturers of farm machinery decided it was in their best interests to be at a show in order to remind potential buyers of their range of machines. But as farmers' purchasing power declines some are seeking cheaper ways of achieving their objective.

According to the Agriculture Engineers Association – the farm machinery manufacturers trade association – UK tractor sales, always a good guide to the health or otherwise of the farming industry, are down more than 20 per cent on last year. And last year saw the lowest numbers sold almost since tractors were invented. Tractor traders, like car traders, are in deep depression.

So what can the organisers of agricultural shows do? Paradoxically the massive Royal Show at Stoneleigh probably has less problems than smaller county shows. The National Agricultural Centre at Stoneleigh, where the show is held, is the venue for over 700 events each year and has demonstration herds of dairy cows and pigs as well as a flock of sheep and its own poultry unit. In addition it is fast becoming, in the words of Mr Hicks, "the capital city of UK agriculture" as more and more farming institutions set up their permanent administration offices on the showground.

For county and regional agricultural shows, however, the annual summer exhibition remains the flagship event and therein lies the problem. In some counties close to large centres of population where farming is no longer a priority, changes have been taking place for some years. The shows have been moved from mid-week to the weekend and the chief activities altered away from farming and towards horse jumping and flea markets.

To my mind that would not be the right policy for those shows that have tried to retain a broad countryside balance alongside an agricultural base. As those special committees meet all over the country to thrash out new policies for their shows they should, in my view, look to some of the current priorities of farmers.

The ones agricultural shows are capable of addressing can be divided into two key objectives; to persuade the public that the food they produce is wholesome, pure and value for money and that in producing it they are not destroying the beauty and diversity of the countryside.

As one who is striving to use modern techniques responsibly and well within the safety limits set down by scientists I am convinced that such assurances can be honestly given and that agricultural shows are a good place to demonstrate the fact. Show societies should therefore address these concerns and seek to produce exhibits which allay the fears of the 40,000 or 50,000 people a day who attend a county show.

The food trade should become more involved as well. As Mr Alistair Grant, the chairman of Safeway, said at last week's Royal Show, these events are a good place to make contact with food producers and consumers.

But Mr Grant was almost alone in his recognition of such an opportunity. Apart from a modest Tesco caravan demonstrating cooking, the supermarket sector was conspicuous by its absence.

Surely this is a serious omission. British farmers produce over 70 per cent of the food consumed in this country and more than 60 per cent of that is retailed by the major multiples. A glance at the ever-rising profit margins being made by such companies, in spite of the recession, demonstrates very clearly how much they must be making out of British agriculture.

It is time they put a bit back into the industry by standing alongside the producers of the food they sell. This would publicly reinforce their confidence in and support for their farming suppliers and might also help the said supermarkets to produce even bigger profits. They could begin by supporting and substantially exhibiting at agricultural shows.

# Machinery makers issue 'cri de coeur'

**By Andrew Baxter**

FEW MAINSTREAM British companies in the agricultural engineering industry will survive if the MacSharry plan for reforming the Common Agricultural Policy hits UK farming harder than its continental counterparts, warns the Agricultural Engineers Association.

The association has written to Sir Leon Brittan, the European Community's Competition Commissioner, and Mr Bruce Millan, Rural Policy Commissioner, to express members' concerns over the potential adverse effect on their business if the plans are implemented.

The AEA timed its letter to reach advisers to the commissioners before the two men discuss the proposals this week. The letter was described by an AEA official as an initial "cri de coeur" ahead of the final proposals.

Although the association accepts that the CAP needs changing, it says it "must oppose a policy which would impact so differently on member states and would leave the UK bearing a totally disproportionate burden" – in terms of the amount of land set aside compulsorily.

That could cause the UK agricultural tractor and machinery industry to suffer a greater loss than its continental competitors. "Few British mainstream companies would survive, given the already perilous conditions," the letter adds.

## WORLD COMMODITIES PRICES

### MARKET REPORT

Silver was in retreat on the London bullion market after Middle East selling reversed earlier sharp gains on buying from the same source. Dealer Sharps Pixley/Kleinwort Benson said in its monthly precious metals monitor that, although silver appeared very close to breaking a two-year technical downtrend, it had been overbought and was losing momentum. Silver's fall stemmed an advance in gold, but most operators remain bullish on gold and expect the market soon to test again stiff overhead resistance in the $372-$373 a troy ounce area. Heavy short covering, thought to be mainly for Japanese operators, pushed raw sugar futures up sharply in both London and New York before the pressure eased. At midday New York prices were drifting down again, however. New York arabica coffee futures were at lifetime lows by midday with commission house selling fuelling the decline. On the LME copper prices eased. The trend was influenced by weekend news that Tocopilla power workers and a small union at the strike-bound Chuquicamata mine had settled with Codelco. But the two big unions are still on strike, so smelters and refineries remain closed. Today's LME warehouse stocks are not expected to show much change.

**Compiled from Reuters**

### London Markets

| SPOT MARKETS | | |
|---|---|---|
| **Crude oil (per barrel FOB)** | | + or - |
| Dubai | $15.95-6.00 | +0.10 |
| Brent Blend (dated) | $18.90-9.00 | +.225 |
| Brent Blend (Aug) | $19.10-9.15 | +0.20 |
| W.T.I. (1 pm est) | $21.05-1.10 | +0.20 |
| **Oil products (NWE prompt delivery per tonne CIF)** | | + or - |
| Premium Gasoline | $240-242 | |
| Gas Oil | $179-180 | +1 |
| Heavy Fuel Oil | $67-69 | +1 |
| Naphtha | $187-190 | +1.5 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $370.60 | +0.35 |
| Silver (per troy oz)♣ | 448.50 | -5.50 |
| Platinum (per troy oz) | $384.05 | -3.45 |
| Palladium (per troy oz) | $87.37 | -8.88 |
| Aluminium (free market) | $1336.0 | +7.5 |
| Copper (US Producer) | 106.0c | |
| Lead (US Producer) | 33c | |
| Nickel (free market) | 413c | -3 |
| Tin (Kuala Lumpur market) | 15.44r | -0.02 |
| Tin (New York) | 263c | |
| Zinc (US Prime Western) | 62c | |
| Cattle (live weight)† | 108.15p | +0.49* |
| Sheep (dead weight)† | 121.73p | -0.32* |
| Pigs (live weight)† | 67.66p | -4.47* |
| London daily sugar (raw) | $258x | +2 |
| London daily sugar (white) | $320x | -1 |
| Tate and Lyle export price | £274 | |
| Barley (English feed) | £110.25z | |
| Maize (US No. 3 yellow) | £182.5 | |
| Wheat (US Dark Northern) | £100 | |
| Rubber (Aug)♥ | 54.50p | -0.25 |
| Rubber (Sep)♥ | 55.00p | -0.25 |
| Rubber (KL RSS No 1 Aug) | 230.5m | -1.0 |
| Coconut oil (Philippines)§ | $495y | |
| Palm Oil (Malaysian)§ | $332.5y | +10.0 |
| Copra (Philippines)§ | $297.5y | |
| Soyabeans (US) | £155 | -3 |
| Cotton "A" Index | 82.00c | |
| Wooltops (64s Super) | 387p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

| SUGAR – London FOX | | | ($ per tonne) | |
|---|---|---|---|---|
| Raw | Close | Previous | High/Low | |
| Aug | 246.00 | 230.00 | 248.00 | 230.20 |
| Oct | 212.00 | 196.00 | 214.00 | 196.60 |
| Dec | 201.00 | 193.00 | 191.00 | 185.00 |
| Mar | 199.00 | 188.00 | 197.00 | 187.00 |
| May | 197.00 | 189.60 | 189.00 | |
| Oct | 207.00 | | 199.00 | |
| White | Close | Previous | High/Low | |
| Aug | 326.9 | 312.0 | 324.0 | 313.7 |
| Oct | 282.0 | 267.5 | 283.5 | 268.5 |
| Mar | 275.0 | 261.0 | 275.0 | 267.5 |
| May | 276.0 | | 275.5 | 269.8 |

Turnover: Raw 2061 (129) lots of 50 tonnes. White 2060 (610)
Paris- White (FFr per tonne): Sept 1949

| CRUDE OIL – IPE | | | $/barrel | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Aug | 19.14 | 18.92 | 19.22 | 18.90 |
| Sep | 19.19 | 18.98 | 19.22 | 18.94 |
| Oct | 19.20 | 19.04 | 19.22 | 19.16 |
| Nov | 19.15 | 19.00 | 19.24 | 19.07 |
| Dec | 19.15 | 18.90 | 19.15 | 19.11 |
| IPE Index | 18.85 | 18.66 | | |

Turnover 9683 (27429)

| GAS OIL – IPE | | | $/tonne | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Jul | 175.75 | 174.75 | 176.00 | 174.60 |
| Aug | 177.25 | 176.00 | 177.25 | 175.75 |
| Sep | 178.75 | 177.50 | 178.75 | 177.75 |
| Oct | 180.25 | 179.50 | 180.75 | 179.50 |
| Nov | 182.75 | 181.25 | 182.75 | 181.25 |
| Dec | 183.50 | 182.50 | 183.75 | 182.00 |
| Jan | 180.50 | 180.00 | 181.25 | 180.25 |
| Mar | 172.25 | 171.00 | 172.50 | 172.25 |

Turnover 7876 (20511) lots of 100 tonnes

**TEA**

There was selective but more general demand this week, which strengthened as the sale progressed reports the Tea Brokers' Association. Bright liquoring teas remained fully firm but mediums often showed advances of 3p to 5p except for poorer sorts which were easier where sold. Central Africans found improved competition and tended dearer. Ceylons were well supported with brighter descriptions fully firm. Offshore teas met fair demand but at easier rates. Quotations: quality 155p (158p), medium 96p (94p), low medium 72p (70p).

| COCOA – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 578 | 578 | 579 | 578 |
| Sep | 604 | 609 | 608 | 602 |
| Dec | 646 | 647 | 648 | 641 |
| Mar | 684 | 687 | 686 | 681 |
| May | 708 | 710 | 708 | 706 |
| Jul | 728 | 730 | 730 | 727 |
| Sep | 749 | 750 | 750 | 747 |

Turnover: 2690 (4296) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 5 N/A (N/A) 10 day average for Jul 6 N/A (N/A)

| COFFEE – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 538 | 538 | 541 | 532 |
| Sep | 562 | 556 | 562 | 554 |
| Nov | 584 | 579 | 585 | 578 |
| Jan | 603 | 600 | 605 | 598 |
| Mar | 618 | 616 | 621 | 619 |

Turnover:2466 (923) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul.3 : Comp. daily N/A (65.25). 15 day average N/A (65.39)

| POTATOES – London FOX | | | £/tonne | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Sep | 85.0 | | 75.0 | |
| Apr | 109.0 | 104.9 | 108.5 | 104.5 |

Turnover 157 (122) lots of 40 tonnes.

| SOYAMEAL – London FOX | | | £/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Dec | 132.00 | 133.00 | 132.00 |

Turnover 20 (8) lots of 20 tonnes.

| FREIGHT – London FOX | | | $10/index point | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 1575 | 1590 | 1580 | 1570 |
| Aug | 1545 | 1560 | 1550 | 1545 |
| Oct | 1574 | 1599 | 1580 | 1575 |
| Jan | 1575 | | 1575 | |
| BFI | 1649 | 1653 | | |

Turnover 55 (138)

| GRAINS – London FOX | | | £/tonne | |
|---|---|---|---|---|
| Wheat | Close | Previous | High/Low | |
| Sep | 111.85 | 112.10 | | |
| Nov | 114.75 | 115.00 | 114.80 | 114.60 |
| Jan | 118.45 | 118.60 | 118.45 | 118.30 |
| Mar | 121.80 | 122.00 | 121.80 | 121.70 |
| May | 125.25 | 125.30 | 124.90 | 124.85 |
| Barley | Close | Previous | High/Low | |
| Sep | 110.00 | | 110.00 | |
| Nov | 113.70 | 113.75 | 113.70 | 113.50 |
| Jan | 117.20 | | 117.00 | |
| Mar | 119.70 | | 119.70 | |

Turnover: Wheat 122 (257), Barley 31 (17).
Turnover lots of 100 tonnes.

| PIGS – London FOX | | (Cash Settlement) p/kg | |
|---|---|---|---|
| | Close | Previous | High/Low |
| Sep | 100.0 | 100.5 | 99.0 |
| Oct | 101.5 | | 101.0 100.0 |
| Jan | 103.0 | | 102.0 |
| Feb | 103.0 | | 103.0 |

Turnover:20 (21) lots of 3,250 kg

| MGMI – London FOX | | | | | |
|---|---|---|---|---|---|
| | Close | Prev. | High | Low | Vol |
| Indx | 142.81 | 142.89 | | | |
| Jul | 142.90 | 142.90 | 143.30 | 142.90 | 95 |
| Sep | 143.80 | 143.20 | 144.10 | 143.80 | 75 |
| Dec | 144.50 | 144.20 | 144.50 | | 15 |

| LONDON METAL EXCHANGE | | (Prices supplied by Amalgamated Metal Trading) | | | |
|---|---|---|---|---|---|
| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 16,928 lots |
| Cash | 1333-4 | 1327-9 | | 1331-2 | | |
| 3 months | 1365-6 | 1358-9 | 1367/1361 | 1364-5 | 1362-3 | 94,675 lots |
| **Copper, Grade A (£ per tonne)** | | | | | Total daily turnover 22,758 lots |
| Cash | 1392-3 | 1403-3.5 | 1387/1386 | 1385-6 | | |
| 3 months | 1402.5-3.5 | 1416-7 | 1410/1398 | 1399-400 | 1398-8.5 | 130,119 lots |
| **Lead (£ per tonne)** | | | | | Total daily turnover 3,103 lots |
| Cash | 344-5 | 345-6 | 340.5/340.5 | 340.5-1.0 | | |
| 3 months | 350.5-1.5 | 350.5-0.75 | 351/348 | 348-9 | 347-8 | 18,161 lots |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 2,569 lots |
| Cash | 8900-50 | 8950-9000 | | 8875-900 | | |
| 3 months | 8725-50 | 8750-75 | 8750/8725 | 8740-50 | 8750-60 | 12,606 lots |
| **Tin ($ per tonne)** | | | | | Total daily turnover 1,029 lots |
| Cash | 5870-5 | 5860-70 | | 5870-5 | | |
| 3 months | 5768-80 | 5750-55 | 5760/5760 | 5750-70 | 5755-60 | 7,544 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 11,210 lots |
| Cash | 1065-7 | 1072-4 | 1087/1077 | 1077-80 | | |
| 3 months | 1090-1 | 1097-8 | 1094/1087 | 1087-90 | 1091-3 | 27,378 lots |

LME Closing £/$ rate:
SPOT: 1.6280 | 3 months: 1.6089 | 6 months: 1.5944 | 9 months: 1.5826

| LONDON BULLION MARKET (Prices supplied by N.M.Rothschild) | | |
|---|---|---|
| Gold (fine oz) | $ price | £ equivalent |
| Close | 370.40-370.80 | |
| Opening | 370.60-371.00 | |
| Morning fix | 371.35 | 227.976 |
| Afternoon fix | 370.25 | 227.806 |
| Day's high | 371.40-371.80 | |
| Day's low | 370.00-370.80 | |

| Loco Ldn Mean Gold Lending Rates (Vs US$) | | | |
|---|---|---|---|
| 1 month | 5.41 | 6 months | 5.31 |
| 2 months | 5.38 | 12 months | 5.30 |
| 3 months | 5.36 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 276.75 | 450.60 |
| 3 months | 284.40 | 457.45 |
| 6 months | 291.60 | 465.10 |
| 12 months | 300.50 | 480.95 |

| GOLD COINS (Prices supplied by Engelhard Metals) | | |
|---|---|---|
| | $ price | £ equivalent |
| Krugerrand | 370.50-371.50 | 227.75-228.25 |
| Maple leaf | 378.50-379.50 | 232.50-233.00 |
| New Sovereign | 89.00-90.00 | 54.75-55.25 |

| TRADED OPTIONS | | | | |
|---|---|---|---|---|
| **Aluminium (99.7%)** | Calls | | Puts | |
| Strike price $ tonne | Sep | Dec | Sep | Dec |
| 1250 | 117 | 146 | 8 | 19 |
| 1350 | 49 | 89 | 38 | 51 |
| 1450 | 14 | 45 | 103 | 104 |
| **Copper (Grade A)** | Calls | | Puts | |
| 2150 | 138 | 144 | 19 | 62 |
| 2250 | 73 | 92 | 53 | 108 |
| 2350 | 32 | 55 | 111 | 169 |
| **Coffee** | Sep | Nov | Sep | Nov |
| 500 | 63 | 89 | 1 | 5 |
| 550 | 24 | 51 | 12 | 17 |
| 600 | 6 | 25 | 44 | 41 |
| **Cocoa** | Sep | Dec | Sep | Dec |
| 625 | 13 | 48 | 35 | 29 |
| 650 | 7 | 35 | 54 | 41 |
| 675 | 3 | 28 | 75 | 56 |
| **Brent Crude** | Aug | Sep | Aug | Sep |
| 1850 | 52 | 76 | 23 | 23 |
| 1900 | 22 | 53 | | 40 |
| 1950 | 2 | 27 | | 79 |

### New York

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 370.9 | 370.2 | 0 | 0 |
| Aug | 372.1 | 371.6 | 372.6 | 371.5 |
| Sep | 373.8 | 373.3 | 375.0 | 374.2 |
| Oct | 375.8 | 375.1 | 376.0 | 375.0 |
| Dec | 379.1 | 378.6 | 379.6 | 378.6 |
| Feb | 382.6 | 382.1 | 382.7 | 382.7 |
| Apr | 386.0 | 385.5 | 386.0 | 386.0 |
| Jun | 389.5 | 3389.0 | 390.0 | 389.4 |
| Aug | 393.2 | 392.7 | 0 | 0 |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 385.9 | 386.0 | 386.2 | 381.0 |
| Oct | 390.3 | 390.6 | 391.6 | 386.0 |
| Jan | 394.8 | 395.1 | 395.5 | 391.0 |
| Apr | 398.6 | 398.9 | 399.0 | 394.0 |
| Jul | 402.8 | 402.8 | 0 | 0 |
| Oct | 409.3 | 409.3 | 0 | 0 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 446.7 | 448.4 | 452.0 | 444.0 |
| Aug | 448.0 | 450.0 | 0 | 0 |
| Sep | 451.0 | 453.0 | 455.0 | 448.0 |
| Dec | 458.9 | 460.9 | 463.0 | 456.0 |
| Jan | 460.8 | 462.9 | 464.0 | 454.0 |
| Mar | 467.2 | 469.4 | 471.0 | 465.0 |
| May | 473.1 | 475.4 | 476.0 | 473.0 |
| Jul | 479.0 | 481.3 | 481.5 | 478.0 |
| Sep | 485.6 | 487.9 | 0 | 0 |
| Dec | 495.4 | 498.0 | 494.5 | 494.5 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 101.40 | 101.65 | 101.70 | 100.65 |
| Aug | 101.75 | 101.70 | 101.40 | 101.40 |
| Sep | 101.55 | 101.55 | 101.80 | 100.60 |
| Oct | 101.10 | 101.00 | 0 | 0 |
| Nov | 100.60 | 100.45 | 0 | 0 |
| Dec | 100.15 | 99.90 | 100.30 | 99.50 |
| Jan | 99.70 | 99.40 | 99.80 | 99.30 |
| Feb | 99.20 | 98.90 | 0 | 0 |
| Mar | 98.75 | 98.40 | 98.80 | 98.50 |
| Apr | 98.35 | 98.00 | 0 | 0 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Aug | 21.11 | 20.89 | 21.15 | 21.02 |
| Sep | 20.97 | 20.78 | 21.00 | 20.89 |
| Nov | 20.72 | 20.57 | 20.74 | 20.66 |
| Jan | 20.50 | 20.37 | 20.48 | 20.43 |
| Feb | 20.38 | 20.26 | 20.39 | 20.33 |
| Apr | 20.15 | 20.06 | 20.15 | 20.12 |

| HEATING OIL 42,000 US galls, cents/US galls | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Aug | 5725 | 5674 | 5730 | 5695 |
| Sep | 5826 | 5775 | 5830 | 5795 |
| Oct | 5930 | 5894 | 5930 | 5900 |
| Dec | 6125 | 6102 | 6125 | 6100 |
| Jan | 6125 | 6112 | 6130 | 6100 |
| Feb | 6000 | 5987 | 6000 | 5970 |
| Mar | 5750 | 5737 | 5760 | 5725 |
| Apr | 5520 | 5527 | 5540 | 5490 |
| May | 5370 | 5367 | 5370 | 5350 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 874 | 882 | 892 | 892 |
| Sep | 918 | 933 | 937 | 915 |
| Dec | 970 | 980 | 983 | 968 |
| Mar | 1016 | 1025 | 1022 | 1014 |
| May | 1042 | 1053 | 1046 | 1046 |
| Jul | 1072 | 1083 | 1076 | 1075 |
| Sep | 1103 | 1113 | 1117 | 1106 |
| Dec | 1149 | 1153 | 0 | 0 |
| Mar | 1183 | 1193 | 0 | 0 |
| May | 1210 | 1220 | 0 | 0 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 84.25 | 85.00 | 85.85 | 84.00 |
| Sep | 85.50 | 86.50 | 86.90 | 85.15 |
| Dec | 88.60 | 89.80 | 90.00 | 88.50 |
| Mar | 91.90 | 93.15 | 93.10 | 91.80 |
| May | 94.05 | 95.40 | 94.75 | 94.05 |
| Jul | 96.40 | 97.70 | 0 | 0 |
| Sep | 98.35 | 99.65 | 0 | 0 |
| Dec | 101.85 | 103.15 | 0 | 0 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Oct | 9.51 | 8.61 | 9.65 | 8.80 |
| Mar | 8.94 | 8.41 | 8.97 | 8.52 |
| May | 8.89 | 8.44 | 8.94 | 8.50 |
| Jul | 9.00 | 8.59 | 9.05 | 8.92 |
| Oct | 9.00 | 8.68 | 9.00 | 9.00 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 70.80 | 70.75 | 70.90 | 69.60 |
| Oct | 72.53 | 72.65 | 73.38 | 72.40 |
| Dec | 70.46 | 70.54 | 71.25 | 70.45 |
| Mar | 71.38 | 71.50 | 72.05 | 71.35 |
| May | 72.03 | 72.30 | 72.40 | 72.00 |
| Jul | 72.50 | 72.90 | 73.10 | 72.50 |
| Oct | 69.38 | 69.55 | 0 | 0 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 120.45 | 117.50 | 120.50 | 117.75 |
| Sep | 120.60 | 116.40 | 120.70 | 116.50 |
| Nov | 120.30 | 116.40 | 120.40 | 117.00 |
| Jan | 119.00 | 116.05 | 119.00 | 116.40 |
| Mar | 119.10 | 116.00 | 119.00 | 116.40 |

| INDICES | | | | |
|---|---|---|---|---|
| **REUTERS (Base: September 18 1931 = 100)** | | | | |
| | July 8 | July 5 | mnth ago | yr ago |
| | 1729.7 | 1738.7 | 1738.6 | 1863.7 |
| **DOW JONES (Base: Dec. 31 1974 = 100)** | | | | |
| | July 5 | July 4 | mnth ago | yr ago |
| Spot | 127.33 | - | 131.59 | 133.45 |
| Futures | 123.84 | - | 127.86 | 132.97 |

### Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 520/6 | 530/0 | 532/0 | 520/4 |
| Aug | 517/6 | 528/2 | 530/0 | 517/0 |
| Sep | 515/6 | 527/6 | 529/4 | 515/0 |
| Nov | 518/6 | 532/0 | 533/0 | 517/4 |
| Jan | 529/2 | 541/2 | 542/0 | 529/0 |
| Mar | 540/4 | 551/6 | 552/0 | 540/0 |
| May | 549/4 | 560/4 | 561/4 | 548/6 |
| Jul | 555/0 | 566/2 | 567/0 | 554/0 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 18.25 | 18.48 | 18.48 | 18.18 |
| Aug | 18.27 | 18.52 | 18.55 | 18.21 |
| Sep | 18.43 | 18.68 | 18.72 | 18.39 |
| Oct | 18.57 | 18.79 | 18.87 | 18.53 |
| Dec | 18.87 | 19.13 | 19.18 | 18.81 |
| Jan | 19.00 | 19.29 | 19.32 | 19.00 |
| Mar | 19.31 | 19.65 | 19.70 | 19.31 |
| May | 19.60 | 19.91 | 19.95 | 19.60 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 159.1 | 161.4 | 161.6 | 158.9 |
| Aug | 160.2 | 162.7 | 162.9 | 160.1 |
| Sep | 160.6 | 163.2 | 163.6 | 160.6 |
| Oct | 160.4 | 162.7 | 163.0 | 160.3 |
| Dec | 160.9 | 163.4 | 163.9 | 160.8 |
| Jan | 162.1 | 164.3 | 164.5 | 162.0 |
| Mar | 163.8 | 1166.5 | 166.5 | 163.7 |
| May | 165.3 | 167.3 | 166.0 | 165.3 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 223/6 | 231/0 | 231/2 | 223/4 |
| Sep | 219/4 | 225/2 | 226/0 | 219/0 |
| Dec | 220/4 | 225/0 | 226/2 | 220/0 |
| Mar | 228/6 | 233/0 | 234/4 | 228/4 |
| May | 235/0 | 239/0 | 240/0 | 235/0 |
| Jul | 240/0 | 244/0 | 245/0 | 240/0 |
| Sep | 239/2 | 240/0 | 240/0 | 239/0 |
| Dec | 238/4 | 240/4 | 243/0 | 238/0 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 251/0 | 261/2 | 261/0 | 250/0 |
| Sep | 259/4 | 269/6 | 269/4 | 258/4 |
| Dec | 274/0 | 283/4 | 282/4 | 272/4 |
| Mar | 279/4 | 288/6 | 288/0 | 279/0 |
| May | 281/4 | 288/4 | 287/4 | 281/4 |
| Jul | 279/6 | 284/0 | 284/0 | 279/6 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Aug | 73.22 | 72.60 | 73.25 | 72.50 |
| Oct | 75.37 | 74.85 | 75.40 | 74.70 |
| Dec | 75.65 | 75.55 | 75.70 | 75.40 |
| Feb | 74.65 | 74.72 | 74.80 | 74.47 |
| Apr | 75.07 | 75.10 | 75.22 | 75.07 |
| Jun | 73.20 | 73.25 | 73.20 | 73.00 |

| LIVE HOGS 30,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 54.65 | 54.20 | 54.95 | 54.15 |
| Aug | 49.45 | 49.15 | 49.60 | 49.17 |
| Oct | 43.57 | 43.35 | 43.80 | 43.40 |
| Dec | 43.92 | 43.70 | 44.15 | 43.75 |
| Feb | 43.80 | 43.70 | 43.97 | 43.75 |
| Apr | 42.10 | 42.00 | 42.30 | 42.05 |
| Jun | 46.25 | 46.00 | 46.60 | 46.13 |
| Jul | 46.32 | 45.75 | 46.50 | 0 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Jul | 47.52 | 47.32 | 48.40 | 47.05 |
| Aug | 42.75 | 43.20 | 43.87 | 42.45 |
| Feb | 46.65 | 46.65 | 47.50 | 46.50 |
| Mar | 46.50 | 46.45 | 47.25 | 46.40 |
| May | 47.02 | 47.00 | 47.75 | 47.00 |
| Jul | 47.70 | 47.70 | 0 | 0 |

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# LONDON STOCK EXCHANGE

# Tokyo setback upsets UK equities

| Account Dealing Dates | | |
|---|---|---|
| *First Dealings: | | |
| Jul 1 | Jul 15 | Jul 29 |
| Option Declarations: | | |
| Jul 11 | Jul 25 | Aug 8 |
| Last Dealings: | | |
| Jul 12 | Jul 26 | Aug 9 |
| Account Day: | | |
| Jul 22 | Aug 5 | Aug 19 |

*New-time dealings may take place from 8.30 am two business days earlier.

THE RENEWED setback in the Tokyo stock market overshadowed other factors in London yesterday, sending UK stocks into a steady decline which quickened as Wall Street opened the new session sharply lower. However, selling pressure remained light in the UK market and share prices closed above the day's lows.

The fall of around 3 per cent in the Nikkei Index, taking it to its 1991 low, rang alarm bells in London, as indeed in other European markets, and alerted investors to the likelihood that Wall Street would follow suit. The 722 point loss on the Nikkei, uncomfortable in itself for global investment funds, brought the Tokyo market close to levels which could, in the opinion of UK fund managers, touch off selling of overseas securities by Japanese banks, whose capital ratios are to some extent related to the level of the Tokyo market.

London fund managers and marketmakers will be watching the Tokyo market with trepidation overnight to see if the Nikkei 21,700 mark, feared to be the possible trigger level for Japanese funds, is held.

The Far Eastern concerns drove optimism for an early cut in UK base rates out of centre stage. Pressure for base rate cuts increased yesterday as the fall in May retail sales was adjusted to show a worse position than initially indicated and two gloomy industry surveys indicated a worsening economic recession. But equity strategists doubted that any move would be made on base rates ahead of Thursday's policy meeting at the Bundesbank.

If the Bundesbank leaves rates unchanged, UK analysts believe that there will be an opportunity to cut UK base rates, perhaps after the latest retail price index, due on Friday, confirms that domestic inflation has continued to fall.

London share prices were marked down at the opening and losses were extended as London assumed that Wall Street would open lower. At worst the market was down by 17.6 on the Footsie scale, taking the Index to 2,467.6.

Traders identified a high level of two-way business as marketmakers tried to keep trading books as nearly in balance as possible. Institutional interest was relatively light, and suggestions that Japanese funds were already selling stock were generally rejected.

Seaq-reported volume reached 308.4m shares compared with 489.6m on Friday. Detailed statistics from the London Stock Exchange confirm that customer interest in UK equities has been relatively low over the past fortnight, rarely approaching the £1bn daily level regarded as desirable for a healthy market.

The reverberations of the dramatic worldwide closure of the Bank of Credit and Commerce International (BCCI) brought falls in UK banks although losses from interbank business are not expected to be great.

The downgrading of May retail sales to show a fall of 0.5 per cent against 0.3 per cent originally estimated, together with the fall to £4bn in new consumer credit, cast a shadow over the retail sector. The sector faces significant tests of confidence this week in the form of trading news from several major players, including Dixons, Marks & Spencer and Asda.

Despite the gloomy backcloth, equity traders commented on the resilience of UK equities. At last night's closing levels, the market remained inside the trading range which it recovered only last week, but which had been held for the three previous months.

## Gloomy views on banks

THE MOVE by international banking authorities to shut down the banking activities of the Bank of Credit and Commerce International (BCCI), coupled with a series of gloomy surveys of the UK economy, left UK bank shares under pressure.

Adding to the dismal background were persistent suggestions that the bank sector could produce the market's next big fund-raising exercise. The banks' interim reporting season starts at the end of this month.

Analysts said there was general gloom surrounding the sector. "There was a double hit first thing with the BCCI story and the Institute of Directors survey," said one. Most specialists took the view, however, that the BCCI business would have a minimal effect on the big banks which would have to provide finance for the "lifeboat" fund, a figure expected to be around £200m.

What troubled analysts more was the depth of the recession. "The forthcoming interim season will furnish more evidence of just how badly businesses are being hit, and the omens are not good," commented another analyst.

NatWest, BCCI's clearing bank, dropped 9 to 296p on turnover of 2.5m, Barclays fell 8 to 436p on 1.6m, Lloyds 7 to 327p and Midland 5 to 180p. Standard Chartered and TSB, heavily involved in Brent Walker, declined 7 to 338p and 3 to 136p respectively.

Control Securities, the property group where BCCI speaks for 5.5 per cent of the shares, came under intense pressure and plummeted 6½ to 13½p on 6.1m shares traded.

### Activity in Asda

Asda lost ground in the run-up to final results on Thursday, and on growing speculation that a rights issue could be imminent. Sellers moved in and pushed recorded turnover up to 7m shares, high for the stock (one broker placed 2.5m shares at 87p), and brought the share price down 5½ to 87p.

Mr Bill Myers of Henderson Crosthwaite, the institutional broker, said Asda's results were fairly certain to be dismal. His estimate of £154m for the year is towards the bottom of analysts' forecasted range, and the top estimate of £168m is still £12m below Asda's profits figure for last year.

The expectation of a cash call on investors comes because Asda is the only top supermarket group not to have tapped shareholders this year. J. Sainsbury made a £489m rights issue in June, following rights offers from Argyll Group and Tesco.

Mr Michael Bourke of Panmure Gordon said: "People seem to be divided on whether Asda will announce a rights issue with their results or whether they will wait until a chief executive is appointed." The retailer is still looking for a chief executive following a boardroom shake-up in June, which included the departure of chairman and chief executive Mr John Hardman.

Lloyds Abbey Life, 9 lower at 383p on 1.1m, was the worst performer among an otherwise steady life sector. Mr Trevor May at Nomura Research downgraded his profits estimates for the group and labelled the stock a sell. Nomura cut its 1991 forecast from £330m to £315m, "a level which would extinguish any lingering hopes of a dividend increase", said Mr May.

Nomura said the recession was hitting Lloyds Bowmaker, but is biting hard in other parts of the group, particularly life assurance sales. Mr May focused on Lloyds Abbey's prospective dividend yield, which is at the sector average of 10 per cent, and the absence of bid prospects.

First-half new business figures from the life assurance companies are due soon and brokers think these are unlikely to show any improvement over the first quarter when new annual premiums fell 10 per cent. BZW said it expected personal pensions to be down 15 to 20 per cent – "the bonanza is over" – and endowment mortgages to be down 10 to 15 per cent.

Bearish comments emanating from BZW on the composites erased much of the bid-rumour inspired gloss from the sector. The broker expects more profits downgrades, putting added pressure on dividend expectations, and is looking for further underperformance. BZW has turned cool on its long-time favourite Sun Alliance – expensive, said the broker. Commercial Union, which attracted unasually heavy interest in the traded options market, relinquished 7 to 508p.

Oil shares did not escape the general retreat. BP, ahead of Friday's analysts' meeting, dipped 3½ to 334p on 3.6m. Strauss Turnbull reaffirmed its bearish stance on the stock and the sector. "The old problem of high gearing remains," said Mr John Toalster at Strauss.

Shell eased 4 to 517p on 2.2m. Mr Fergus MacLeod at County NatWest, among the UK and US analysts who visited Shell's European operations last week, labelled the shares a short-term hold and said: "Clouds on the horizon are dull second-quarter results expected on August 2, and evidence that the chemicals business is turning out worse than expected."

Security and car auction group ADT weakened 22 to 618p as credit rating agency IBCA confirmed press reports that it had downgraded the company. The lower rating had been expected since April, when IBCA said it had placed the company on Rating Watch.

News that merchant bank advisers to ICI believed the break-up value of the chemicals giant could be as high as £22 per share encouraged a rise of 4 to 1276p.

County NatWest's bearish stance on the brewers – based on the drain on cash resources – kept the sector under pressure. Guinness, a County "sell", was additionally unsettled by other brokers recommending caution on the shares, and the stock closed 12 off at 953p.

The long-running Brent Walker saga rumbled on, with the shares losing 1¼ to 25p, after 24½p, as Lonrho's interest in the company was confirmed.

The announcement that Tate & Lyle was raising £93m through a bond issue prompted a fall of 10 to 375p in the shares. Observers said the bond was anticipated but was slightly more expensive than that hoped for – the previous issue a few months ago had been at 73 per cent of face value and this one was at 76.9 per cent of face value. The issue was also linked to a convertible warrant which, analysts said, would result in some share dilution.

Hillsdown eased 2 to 232p. Mr Carl Short of Nomura Research lowered his profits forecast for the food manufacturer yesterday by £5m to £200m after speaking to the company last week. He said there was concern about the poultry side of the business, which accounts for 20 per cent of profits.

Stock overhanging the market was said to be largely behind a fall of 20 to 188p for Clinton Cards, but sentiment was affected by the release of retail figures for May, which were 3.2 per cent down on last year.

Carclo Engineering firmed 2 to 123p after increasing its dividend by 10 per cent. A gloomy statement by the chairman pushed shares of Walker Greenbank, the wallcoverings business, down 5 to 51p.

Lucas Industries continued to languish following last week's profits warning from the company and the shares gave up another 3 to 127p. The shares are hovering above an estimated net asset value of 125p. A group of 20 analysts and fund managers begin a two-day visit to the Midlands-based aerospace and automotive group today.

Rolls-Royce began the session by following the market lower, after another downgrade – this time from Smith New Court. However, the shares found support at the lower levels, with S.G Warburg said to have shown a keen interest. They closed a net penny better at 145½p on meagre turnover of 1.2m.

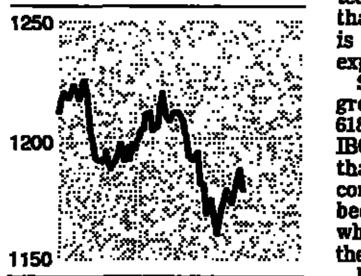
BAA lost 4 to 434p on fears that the UK Civil Aviation Authority would today recommend a tougher five-year formula for landing and parking fees at the three London airports, to begin in April 1992. Analysts should know the company view on the proposed changes at a meeting called by BAA this morning.

Burton lost ground, shedding 4½ to 38½p on turnover of 8.1m shares following negative press comment. The market took the view that a large part of the recently announced rights issue was unlikely to be taken up.

Mr Nick Hawkins at Kleinwort Benson, which was said to have been yesterday's main seller, believed: "The group is losing market share and the road to recovery is going to be tortuous."

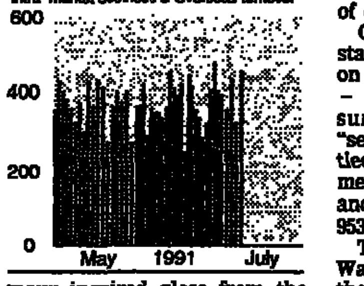
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 28.

**FT-A All-Share Index**



**Equity Shares Traded**

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



## FINANCIAL TIMES STOCK INDICES

| | July 8 | July 5 | July 4 | July 3 | July 2 | Year Ago | 1991 High | 1991 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 84.68 | 84.80 | 84.55 | 84.28 | 83.88 | 78.40 | 85.88 (19/2) | 82.17 (2/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 93.43 | 93.35 | 93.27 | 93.16 | 93.04 | 87.24 | 94.84 (5/4) | 90.50 (2/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share● | 1891.3 | 1911.8 | 1904.7 | 1894.9 | 1907.2 | 1859.3 | 2014.5 (5/4) | 1606.3 (16/1) | 2014.5 (5/4/91) | 49.4 (26/6/40) |
| Gold Mines | 219.0 | 218.5 | 217.1 | 209.8 | 207.7 | 179.3 | 219.0 (4/7) | 127.0 (22/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2468.6 | 2484.7 | 2470.4 | 2448.2 | 2460.2 | 2337.5 | 2545.3 (5/4) | 2054.8 (16/1) | 2545.3 (5/4/91) | 986.9 (23/7/84) |
| FT-SE Eurotrack 200 | 1136.60 | 1145.27 | 1140.75 | 1133.99 | 1143.96 | - | 1192.11 (5/6) | 938.62 (15/1) | 1192.11 (5/6/91) | 938.62 (16/1/91) |
| ●Ord. Div. Yield | 4.97 | 4.93 | 4.95 | 4.96 | 4.96 | 4.99 | | | | |
| ●Earning Yld %(full) | 8.74 | 8.67 | 8.69 | 8.76 | 8.72 | 11.04 | | | | |
| ●P/E Ratio(Net)(*) | 14.08 | 14.19 | 14.15 | 14.05 | 14.11 | 10.98 | | | | |
| SEAQ Bargains 4.45pm | 24,582 | 22,032 | 21,507 | 21,736 | 22,165 | 23,130 | | | | |
| Equity Turnover(£m)† | - | 729.93 | 712.58 | 1043.06 | 747.82 | 818.03 | | | | |
| Equity Bargains† | - | 21,865 | 20,882 | 20,710 | 21,159 | 25,523 | | | | |
| Shares Traded (mil)† | - | 450.9 | 320.8 | 433.3 | 354.7 | 433.8 | | | | |

Ordinary Share Index, Hourly changes — Day's High 1907.4 — Day's Low 1886.9

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1907.4 | 1903.1 | 1897.2 | 1895.8 | 1895.3 | 1894.0 | 1888.6 | 1890.0 | 1890.8 |

FT-SE 100, Hourly changes — Day's High 2480.2 — Day's Low 2462.5

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2480.2 | 2473.8 | 2469.4 | 2469.7 | 2469.0 | 2468.4 | 2462.9 | 2464.7 | 2468.2 |

FT-SE Eurotrack 200, Hourly changes — Day's High 1140.43 — Day's Low 1135.15

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1139.19 | 1139.55 | 1139.75 | 1138.04 | 1138.04 | 1136.11 | 1136.46 |

### GILT EDGED ACTIVITY

| Indices | July 5 | July 4 |
|---|---|---|
| Gilt Edged Bargains | 90.2 | 85.2 |
| 5-Day average | 89.8 | 88.6 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | | | |
| British Telecom | 5,800 | 360½ | +½ |
| Bunzl | 0 | 90 | |
| Burmah Castrol | 141 | 590 | |
| Burton | 8,100 | 38½ | -4½ |
| Cable & Wire. | 1,200 | 546 | -2 |
| Cadburys | 1,100 | 373 | -5 |
| Calor Group | 471 | 226 | |
| Carlton Comms. | 411 | 444 | |
| Coats Viyella | 1,000 | 150 | |
| Comm. Union | 715 | 508 | -7 |
| Cookson | 519 | 107 | |
| [illegible] | | | |
| Kingfisher | 1,000 | 494 | +2 |
| Ladbroke | 1,200 | 234 | -3 |
| Land Securities | 654 | 482 | |
| Laporte | 10 | 590 | -5 |
| Legal & General | 382 | 420 | -6 |
| Lloyds Abbey | 1,100 | 383 | -9 |
| Lloyds Bank | 1,000 | 327 | -7 |
| LASMO | 511 | 342 | -2 |
| London Elect. | 535 | 204 | |
| Lonrho | 1,700 | 246 | -3 |
| Lucas | 973 | 127 | -3 |
| [illegible] | | | |
| Rothmans | 556 | 970 | -5 |
| Ryl Bk Scotland | 837 | 179 | |
| Royal Insurance | 1,200 | 421 | |
| Saatchi | 628 | 18 | |
| Sainsbury | 580 | 350 | -4 |
| Scottish & New. | 388 | 387 | -3 |
| Scot. Hydro-Elect. | 2,400 | 114 | -1 |
| Scottish Power | 4,800 | 105 | -1 |
| Sears | 1,200 | 74 | -1 |
| Sedgwick | 138 | 288 | |
| Seeboard | 1,800 | 206 | |
| [illegible] | | | |
| Wellcome | 891 | 891 | -8 |
| Welsh Water | 1,000 | 290 | +2 |
| Wessex Water | 155 | 319 | -1 |
| Whitbread 'A' | 824 | 459 | -10 |
| Williams Hdgs. | 338 | 294 | |
| Willis Corroon | 242 | 304 | -2 |
| Wimpey | 91 | 178 | -4 |
| Yorkshire Elect. | 344 | 228 | |
| Yorkshire Water | 1,200 | 300 | +4 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

## EQUITY FUTURES AND OPTIONS TRADING

THE LONDON derivatives markets traded quietly but nervously yesterday against a background of growing concern over the slide in the Tokyo market. In the futures market, the September contract on the FT-SE Index failed to provide any significant lead to the underlying equity sector. The contract traded all day within a touch of its fair value premium, the level which takes account of impending dividend payments and financing costs on the underlying stocks. The traded options market recorded its quietest session for the year, according to dealers.

Fears that Tokyo funds had already become sellers in the UK market were largley discounted, but there was widespread nervousness that these funds could be forced sellers in global markets if the Nikkei Index continues to fall.

Base rate hopes were put on the back burner, although one dealer commented that a half-point cut in base rates is now "in the market; only a full point would produce any marked response from the futures".

Turnover in traded options tumbled to a mere 12,202 contracts, compared with 23,360 on Friday, with the FT-SE option trading only 4,739 against 6,874. Among the individual share options, Commercial Union, unusually for them, topped the actives list.

## NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (54).
CORPORATION LOANS (1) GLC 8¾pc 1990-92, BANKS (1) HSBC, CHEMICALS (2) Cambridge Isotope, Thurgar Bardex, ELECTRICALS (4) Admiral, Domino Printing, Johnson Elect., Sage, FOODS (2) Dalepak, Sutherland, HOTELS (1) Ramden's (H), INDUSTRIALS (5) Astra B, Hepworth, Macarthy, Reliance Sec., Waterman Partnership, INSURANCE (1) Lloyd Thompson, LEISURE (1) Radio City A, PAPERS (3) Arjo Wiggins Appleton, Cropper (J), Gold Greenlees Trott, SOUTH AFRICANS (4) Barlow Rand, Gold Fields Prop., SASOL, Tongaat-Hulett, TRANSPORT (3) IoM Steam, P & O 5½pc Non/Cum. Prfd., Tiphook, TRUSTS (3) Law Deb., Malaysia Select, Scottish Natl. Stppd. Prf., OILS (2) Kelt Energy 6pc Prf., Monument, MINES (21) Anglo Amer. Coal, Anglo Amer. Gold, Anglo Vaal, De Beers Linked Units, Deelkraal, Doornfontein, Durban Deep, ERGO, Elandsrand Gold, Elsburg, Emperor, FS Cons. Gold, Gencor, Grootvlei, Hartebeest, Joel (HJ), Loraine, OFS Invs., Randfontein Ests., Rand Mines, Vaal Reefs.

NEW LOWS (43).
BUILDINGS (4) Crest Nicholson 5½pc Prf., Ibstock Johnsen, Do. Wrrnts., Tarmac, CHEMICALS (1) Evode, STORES (3) Burton, Chelsea Man, Clinton Cards, ELECTRICALS (1) Feedback, ENGINEERING (7) Aerospace Eng., Brasway, Howden, Locker (T), Ransomes, Vickers, Wheway, FOODS (1) ASDA, HOTELS (1) Savoy A, INDUSTRIALS (13) BSG Intl., Barry Wehmiller, Clayhithe, GR, Granada, Hanson 9½pc Cnv. Bd., Jourdan (T), Nu-Swift, Plastiseal, Stainless Metalcraft, Tams (J), Walker Greenbank, Whitecroft, LEISURE (1) Kunick, MOTORS (1) Caffyns, PROPERTY (3) Control Secs., Mountleigh, Do. 5.25pc Prf., TRUSTS (4) CST Emrg. Asia Wrrnts., Govett Amer. Endeavour, Gresham House, Murray Ventures, OILS (2) Kelt Energy, XCL Sunrise, MINES (1) Pancontinental.

# LONDON SHARE SERVICE

### BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| | | Treas 10pc Cv '91 ‡‡ | | | 10.01 | |
| | | Exch. 11pc 1991 | 100 | | 11.00 | |
| | | Treas. 8pc 1991 | | | 8.08 | |
| | | Treas 12¼pc 1992‡‡ | | | 12.60 | |
| | | Treas 10pc 1992 | | | 10.03 | |
| | | Treas. 8pc 1992 ‡‡ | | | 8.14 | |
| | | Treas 10½pc Cv 1992‡‡ | | | 10.49 | |
| | | Treas. 3pc 1992 | | | 3.15 | |
| | | Exch. 12¼pc '92 | | | 12.01 | |
| | | Exch 13½pc 1992 | | | 13.06 | |
| | | Treas 8¼pc 1993 | | | 8.49 | |
| | | Treas 10pc 1993‡‡ | | | 10.03 | |
| | | Treas 12½pc 1993‡‡ | | | 12.01 | |
| | | Funding 6pc 1993‡‡ | | | 6.42 | |
| | | Treas 13¾pc 1993‡‡ | | | 12.84 | |
| | | Treas. 8½pc 1994 | | | 8.83 | |
| | | Treas 14½pc 1994‡‡ | | | 13.24 | |
| | | Exch 13½pc 1994 | | | 12.54 | |
| | | Treas. 10pc Ln. 1994‡‡ | | | 10.05 | |
| | | Exch. 12½pc 1994 | | | 11.83 | |
| | | Treas 9pc 1994‡‡ | | | 9.33 | |
| | | Treas 12pc 1995 | | | 11.43 | |
| | | Exch 3pc Gas 90-95 | 86 | | 3.49 | |
| | | Exch. 10¼pc 1995 | | | 10.26 | |
| | | Treas 12¾pc 1995‡‡ | | | 11.77 | |
| [illegible] | | | | | | |

Five to Fifteen Years

[illegible]

### BRITISH FUNDS—Contd

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 98⅝ | 92 13/16 | Treas 9¾pc 2002 | 96 13/16 | | 10.11 | 10.29 |
| 100 13/16 | | Treas 10pc 2003 | | | 10.19 | 10.25 |
| 108¼ | 102 | Treas. 11½pc 2001–04 | | | 10.86 | 10.49 |
| [illegible] | | | | | | |

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

### INT. BANK AND O'SEAS

| 1991 High | 1991 Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 102 | | African Dv Bk 11¼ Ln 2010 | | | 11.03 | 11.01 |
| | | Asian Dev Bk 10¼pc Ln2009 | | | 10.70 | 10.77 |
| | | Int-Am Dev Bk 12½pc 2003 | 110½ | | 11.31 | 10.87 |
| [illegible] | | | | | | |

### CORPORATION LOANS

[illegible]

### COMMONWEALTH & AFRICAN LOANS

[illegible]

### LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

### FOREIGN BONDS & RAILS

[illegible]

Continued on next page

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# APPOINTMENTS

## New chief at C & J Clark

■ C & J CLARK, the international shoe manufacturing and retailing business, has appointed Mr Walter Dickson as chairman. He replaces Mr Lawrence Tindale, who announced his decision to retire at the annual meeting in April. Mr Dickson has had a distinguished career in industry, principally with the Mars organisation where he became the first president of Mars Europe in 1985, with a seat on the worldwide board.

■ ABBEY LIFE has appointed two new regional sales directors.

Mr Garry Nelson joins the company from Save & Prosper as regional sales director responsible for Abbey Life branches in London.

Mr Will Patching, an ex-RAF officer, also becomes regional sales director responsible for Abbey Life branches in London.

■ Mr Tony Stenham has been appointed director of building services by control systems company, HONEYWELL.

He joins the company from Modern Security Systems where he had responsibility for both service and systems in the fire protection, access control and closed circuit television businesses.

Mr Stenham replaces Mr Derek Waldron who has been appointed general manager, building services, Europe, at Honeywell's centre of excellence at Maintal, Germany.

■ Following the completion of the transfer of the wines and spirits wholesaling business from Grant's of St James's to Allied Breweries' trading companies in March of this year, Mr Clive Hunt *(pictured)* has been appointed wines and spirits executive, ALLIED BREWERIES. Based in Burton upon Trent, Mr Hunt is responsible for the co-ordination of the overall sales development of the wines and spirits on-trade business across Allied Breweries. He was previously commercial director at Tetley Walker.

■ Mr Raymond Sutton has been appointed director and general manager for the BASF COATINGS + INKS site at Slinfold, Horsham, West Sussex. He will be responsible for the oil-based printing ink and electrical insulation businesses based there, and the administration and development of the whole site. Mr Sutton was formerly managing director of the flavours and fragrances company Fritzsche Dodge & Olcott (UK) which, until December 1990, belonged to the BASF Group of companies.

■ BANCO ESPIRITO SANTO E COMMERCIAL DE LISBOA has appointed Mr Tom Hoffman and Mr Luis Spencer Martins as general managers of the London branch with joint responsibility for the bank's business in the UK in succession to Mr Ian Brodie who has retired.

■ GRANADA COMPUTER SERVICES, the independent supplier of computer maintenance, has appointed Mr Jeff Stanton *(pictured)* as its new managing director. He will continue as deputy managing director of Granada Computer Services Europe.

■ Mr Ken Gill has been appointed commercial director of design/build and management contracting specialists, TEAM (WESTERN), 15 months after joining the company.

■ SCHLEICHER & CO INTERNATIONAL, manufacturer of shredding machines and distributors of forms handling equipment and binders, has promoted Mr Michael Knight *(pictured)* to deputy general manager. He will be assisting Mr Jack Costelloe, managing director, in the running of a number of specific projects, and maintaining the company's growth in Britain.

Intermediate chemicals manufacturer A H MARKS, based at Wyke, Bradford, has appointed Dr Keith Hunt to the post of technical manager for process development. He will be responsible for evaluating the company's manufacturing processes.

# LONDON SHARE SERVICE

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## AMERICANS

| 1991 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 33¼ | 20¾ | Abbott Laboratories‡ | 32 | −⅜ | $1.00 | − | 1.8 |
| 385p | 257p | ♦Allegheny & W 1c | 299p | +3 | 30c | − | 5.9 |
| 10¼ | 667p | Amdahl 5c | 898pxd | −30 | 10c | − | 0.7 |
| 42⅛ | 25¾ | Amer. Cyanamid $5 | 40¼ | −⅝ | $1.50 | − | 2.2 |
| 17⅞ | 9[illegible] | Amer. Express 60c | 13½xd | −¼ | 92c | − | 4.1 |
| 24½ | 15¼ | American T. & T $1 | 23⅞xd | −⅜ | $1.32 | − | 3.3 |
| 38⅞ | 32½ | Amer'tech $1 | 36¼ | −⅜ | $3.40 | − | 5.5 |
| 24 | 12[illegible] | BankAmerica $1[illegible] | 21[illegible]xd | +[illegible] | $1.20 | − | 3.4 |
| 34⅛ | 20[illegible] | Bankers N Y $1 | 30¼xd | −⅜ | $1.52 | − | 9.5 |
| 30½ | 24¼ | Bell Atlantic $1 | 28¼xd | −½ | $2.52 | − | 5.2 |
| 31¼ | 25 | BellSouth Corp | 29¼ | −¼ | $2.76 | − | 5.6 |
| 11¼ | 6[illegible] | ♦Bethlehem Steel $8 | 10¼xd | −¼ | 40c | − | 2.3 |
| 1839p | 1046p | Bowater Inc. | 1611p | +12 | $1.20 | − | 4.4 |
| 9½ | 4½ | Brunswick 75c | 8[illegible]xd | −[illegible] | 44c | − | 3.1 |
| 54 | 37[illegible] | CPC Intnl 25c | 52[illegible]xd | −[illegible] | $2.00 | − | 2.3 |
| 852p | 420p | California Engy | 787p | ..... | − | − | − |
| 50 | 28¼ | Campbell Soup 15c | 45[illegible]xd | −⅛ | $1.16 | − | 1.5 |
| 12⅝ | 5[illegible] | Chase Manhattan $12½ | 10⅝xd | +[illegible] | $1.20 | − | 6.7 |
| 9⅛ | 5½ | Chrysler $6¼ | 8⅞xd | −⅛ | 60c | − | 4.0 |
| 10⅝ | 5[illegible] | Citicorp $1 | 8⅝xd | −¼ | $1.00 | − | 6.9 |
| 25 | 21[illegible] | Colgate-Palmolive $1 | 22[illegible]xd | −[illegible] | $1.06 | − | 2.7 |
| 845p | 438p | Cont'l Bank Corp $4 | 714p | −11 | $1.00 | − | 8.3 |
| 21⅝ | 13[illegible] | Dana Corp. $1 | 28⅝xd | −[illegible] | $1.60 | − | 4.6 |
| 1056p | 203p | Data General | 921p | −15 | − | − | − |
| 22 | 12⅞ | Dial Crop. $1.5 | 21¼xd | −⅜ | $1.40 | − | 3.9 |
| 29⅝ | 20¼ | Dun & Bradstreet $1 | 28¼ | −1 | $2.16 | − | 4.5 |
| 40 | 24¼ | Eaton Corpn. 50c | 39½ | −¼ | $2.20 | − | − |
| 8⅛ | 5½ | Echlin Inc. | 8¼xd | −[illegible] | 70c | − | 5.0 |
| 19[illegible] | 14[illegible] | FPL Group 1c | 18[illegible]xd | −[illegible] | $2.40 | − | 7.5 |
| 30 | 17[illegible] | Fluor Corp 62½c | 29⅝xd | −¼ | 32c | − | 0.6 |
| 23¼ | 13⅛ | Ford Motor $2 | 21⅞xd | −⅜ | $1.60 | − | 2.7 |
| 46[illegible] | 28[illegible] | Gen. Elect. 63c | 45[illegible]xd | −[illegible] | $2.04 | − | 2.7 |
| 566p | 270p | ♦General Host Corp $1 | 498p | ..... | 34c | − | 4.0 |
| 45¼ | 20⅞ | Gillette $1 | 21[illegible]xd | −[illegible] | 62c | − | 1.7 |
| 91p | 31p | ♦Gt American Bank $1 | 39p | ..... | − | − | − |
| 18¼ | 794p | Hasbro Inc 50c | 17¼ | ..... | 24c | − | 0.8 |
| 38⅛ | 21¼ | Honeywell $1½ | 37¼xd | −⅛ | $1.50 | − | 2.3 |
| 22¼ | 17⅞ | Houston Inds.‡ | 22¼ | −¼ | $2.96 | − | 7.9 |
| 72[illegible] | 55[illegible] | IBM Corpn $1¼ | 68⅝xd | −½ | $4.84 | − | 4.7 |
| 32½ | 18[illegible] | Ingersoll-Rand $2 | 31⅛xd | −¼ | $1.32 | − | 2.5 |
| 27[illegible] | 16⅝ | Lockheed Crpn. $1 | 26¼xd | −⅝ | $1.80 | − | 4.0 |
| 2155p | 1245p | Lowe's 50c | 2018p | −33 | 56c | − | 1.6 |
| 16⅝ | 9½ | Manuf. Hanover $1 | 12[illegible]xd | −[illegible] | $3.28 | − | 15.0 |
| 24⅝ | 10½ | Merrill Lynch $1 | 23⅞xd | −¼ | $1.00 | − | 2.5 |
| 33⅞ | 21½ | Morgan (JP) $2½ | 32[illegible]xd | −[illegible] | $1.98 | − | 3.6 |
| 41 | 25[illegible] | Morris (Philip) | 40[illegible]xd | −[illegible] | $1.72 | − | 2.5 |
| 46¼ | 39 | NYNEX $1 | 45¼ | −1 | $4.56 | − | 5.9 |
| 89p | 31p | ♦Pac. Agricultural | 34½p | ..... | − | − | − |
| 23⅛ | 11⅞ | Pall Corp. 25c | 22⅛ | −⅛ | h44c | − | 1.2 |
| 46 | 33⅛ | Pennzoil 83 1/3c | 44⅛xd | −⅜ | $3.00 | − | 4.0 |
| 40½ | 24⅞ | Quaker Oats $5 | 39⅞xd | −[illegible] | $1.56 | − | 2.3 |
| 37[illegible] | 24[illegible] | Rep NY Corpn $5 | 37½xd | −⅛ | $1.40 | − | 2.2 |
| 17⅝ | 12⅛ | Rockwell Intl. $1 | 17[illegible]xd | ..... | 86c | − | 3.1 |
| 25[illegible] | 12[illegible] | Sears Roebuck 75c | 23¼xd | −[illegible] | $2.00 | − | 5.1 |
| 34⅛ | 25⅝ | Southwestern Bell $1 | 32⅛xd | −½ | $2.84 | − | 5.1 |
| 20¼ | 14⅜ | Sun Co. Inc. $1 | 17½xd | −⅜ | $1.80 | − | 6.1 |
| 27¼ | 21[illegible] | Tenneco $5 | 21[illegible] | +⅛ | $3.20 | − | 8.2 |
| 40½ | 29[illegible] | Texaco $6.25 | 37¼xd | −[illegible] | $3.20 | − | 5.1 |
| 26¼ | 17¼ | Texas Instr. $1 | 21[illegible]xd | −[illegible] | 72c | − | 2.0 |
| 71½ | 41[illegible] | Time Warner $1 | 59[illegible]xd | −[illegible] | $1.00 | − | 1.1 |
| 16¼ | 8⅝ | TRINOVA Corp | 15⅝xd | −[illegible] | 68c | − | 2.6 |
| 19[illegible] | 14¼ | USX $1 | 19[illegible]xd | ..... | $1.40 | − | 4.3 |
| 417p | 250p | ♦Unilab | 417p | ..... | − | − | − |
| 28½ | 22⅛ | Utd. Technologies | 27⅝ | −[illegible] | $1.80 | − | 3.9 |
| 74p | 42p | ♦Utilitech Inc. | 74p | ..... | − | − | − |
| 23 | 18¼ | US West‡ | 22¼ | −⅛ | $2.08 | − | 5.6 |
| 24[illegible] | 16⅝ | Waste Management $1 | 23⅛ | −[illegible] | 44c | − | 1.1 |
| 2054p | 1053p | Whirlpool $1 | 1954p | −24 | $1.10 | − | 3.4 |
| 20[illegible] | 13½ | ♦Woolworth $3½ | 19¼ | −[illegible] | $1.08 | − | 3.3 |

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS — Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES — Contd

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICITY

[illegible]

For Scott. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

## ENGINEERING

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) — Contd

[illegible]

## INSURANCES

[illegible]

هكذا منه الأصل

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## TRANSPORT—Contd

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## INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

## WATER

| 1991 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 314 | 261 | Anglian Water £1 ... α | 294xd | –2 | 17.5 | 2.2 | 6.4 | 7.9 |
| 170 | 135 | East Surrey Water 10p | 170 | ..... | 8.0 | 2.7 | 6.3 | (6.4) |
| 178 | 155 | Wm Kent Hldgs £1 | 175 | ..... | a9.67 | ♦ | 7.4 | ♦ |
| 318 | 248 | North West Water £1 α | 286xd | +1 | 18.0 | q2.5 | 6.7 | 6.6 |
| 339 | 256 | Northumbrian Water α | 285xd | –5 | 18.6 | q2.9 | 7.0 | 5.4 |
| 305 | 226 | Severn Trent £1 ... α | 254 | –2 | 17.55 | q3.0 | 7.2 | 5.0 |
| 300 | 221 | Southern Water £1 .. α | 245 | ..... | 17.7 | q2.5 | 7.5 | 5.9 |
| 327 | 236 | Sth West Water £1 .. α | 275 | –3 | 20.0 | q2.7 | 7.7 | 5.3 |
| 323 | 252 | Thames Water £1 ... α | 286xd | ..... | 17.5 | q2.4 | 6.5 | 7.2 |
| 356 | 268 | Welsh Water £1 ... α | 290xd | +2 | 19.5 | q3.4 | 7.2 | 4.4 |
| 388 | 255 | Wessex Water £1 . α | 319xd | –1 | 17.7 | 2.5 | 6.1 | 7.4 |
| 330 | 264 | Yorkshire Water £1 .. α | 300xd | +4 | 17.7 | q2.2 | 6.4 | 7.1 |

## OIL AND GAS

| 1991 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| 18 | 12 | Aberdeen Pet 10p .. α | 18 | ..... | – | – | – | 18.4 |
| 49 | 20 | Alliance Res. 10p .. α | 22 | ..... | – | – | – | – |
| 8½ | 6½ | AmBrit Intl ..... α | 6½ | ..... | – | – | – | ♦ |
| 40 | 23 | Aran Engy 20p .... α | 27 | +2 | – | – | – | – |
| 3½ | 3¼ | Arrow Pet. 10c | 3¼ | ..... | – | – | – | – |
| 7½ | 3½ | Atlantic Res Ir£.05 .γ | 4 | ..... | – | – | – | – |
| 16 | 7½ | Ansa Petroleum .. α | 11¼ | +¼ | – | – | – | – |
| 25½ | 15 | Blackland Oil 10p .. β | 16 | ..... | – | – | – | – |
| 12 | 7 | Blystad Group 1p .. α | 7 | ..... | – | – | – | ♦ |
| 737 | 589 | Bow Valley | 718 | –19 | Q40c | – | 3.3 | – |
| 156 | 120 | Brabant £1 ..... β | 122 | ..... | – | – | – | – |
| 31 | 21 | Bridge Oil ...... | 27½ | ..... | – | – | – | – |

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES—Contd

| 1991 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 4 | 2½ | Croesus Mining N.L. | 3½ | ..... | – | – | – |
| 45 | 17 | Delta Gold 25c ... | 44 | –1 | – | – | – |
| 42 | 28 | Dominion Mining | 40 | ..... | tQ4c | 7.8 | 4.8 |
| 17 | 11 | Doral Resources | 15 | –1 | Q1c | – | 3.1 |
| 4 | 1½ | Dragon Mining | 3 | ..... | n– | – | – |
| 29 | 20 | Emperor Mines | 29 | +1 | – | – | – |
| 5½ | 3 | Forsayth NL | 4½ | ..... | – | – | – |
| 34 | 19½ | GM Kalgoorlie 5c | 33½ | –½ | – | – | – |
| 47 | 29 | Gwalia Cons. 20c | 39 | ..... | Q8c | 1.6 | 9.6 |
| 78 | 36 | Indonesian Diamond $2 | 57 | ..... | – | – | – |
| 2 | 1 | Jason Mining 20c | 1¼ | ..... | – | – | – |
| 1½ | 0½ | Julia Mines NL | 1½ | ..... | – | – | – |
| 84 | 67 | Kidston Gld Min 20cts | 75 | –4 | Q38c | ♦ | 23.7 |
| 74 | 45 | Meekatharra 25c | 51 | –3 | n– | – | – |
| 20 | 9 | Metana Minerals N.L. | 20 | ..... | – | – | – |
| 95 | 56 | MIM Hldgs 50c | 93 | –2 | tQ10c | 2.0 | ‡ |
| 9 | 2 | Molopo Australia 50c | 3½ | ..... | – | – | – |
| 6 | 1 | Mount Burgess 20c | 6 | ..... | – | – | – |
| 59 | 38 | Normandy Poseidon | 55 | –1 | – | – | – |
| 115 | 69 | N Bkn Hill Peko 50c | 109 | –3 | Q11c | 6.5 | 4.8 |
| 77 | 27 | Pancont'l 25c | 27 | –3 | Q4c | 2.7 | 6.9 |
| 3 | 2½ | Paragon Resources NL | 2½ | ..... | – | – | – |
| 74 | 49 | Pasminco | 73 | –1 | – | – | – |
| 0½ | 0¼ | Pelsart Res | 0¼ | ..... | – | – | – |
| 133 | 93 | Placer Pac. 30cts | 114 | +1 | – | – | – |
| 35 | 8 | Precious Metal Aust. 25c | 32 | ..... | – | – | – |
| 325 | 240 | Renison 50c | 253 | –5 | Q34c | 1.9 | 6.6 |
| 9 | 2 | St. Barbara 20c | 8¼ | –¾ | – | – | – |
| 1½ | 0¼ | Samson Exploration | 1¼ | ..... | – | – | – |
| 242 | 178 | Sons Gwalia NL | 203 | –2 | sQ60c | 1.9 | 14.4 |
| 31½ | 13 | Southern Pacific | 30 | ..... | – | – | – |
| 3 | 1 | Sparges | 1¼ | ..... | – | – | – |
| 5 | 3 | Stockbridge Ltd | 3½ | ..... | – | – | – |
| 244 | 153 | Westn. Mining 50c | 239 | –5 | tQ30c | 1.8 | 5.9 |
| 3 | 0½ | Westralian Res Pro. 20c | 0½ | ..... | – | – | – |

### Tins

| 1991 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 25 | 20 | Ayer Hitam SM1 | 20 | ..... | Q17½c | – | 18.9 |
| 90 | 45 | Gopeng Berhad M$0.50 | 90 | ..... | Q5c | ♦ | 2.6 |
| 57 | 27 | Malaysia Mng. 10c | 56 | ..... | Q5c | 3.5 | 1.9 |
| 150 | 130 | Petaling SM1 | 150 | ..... | tQ10c | 1.7 | ‡ |

### Miscellaneous

| 1991 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 83 | 25 | Anglesey Mining 9p .. β | 25 | ..... | – | – | – |
| 53 | 28 | Andaman Resources | 42 | ..... | – | – | – |
| 9¼ | 6¼ | Anglo-Dominion | 8¼ | ..... | – | – | – |
| 15 | 6 | Burmin Exploration .γ | 15 | +½ | – | – | – |
| 13 | 6 | Butte Mining 10p .. α | 7 | ..... | – | – | – |
| 19 | 14 | Celtic Gold ..... γ | 15 | ..... | – | – | – |
| 22 | 5 | Colby Mines | 5½ | ..... | – | – | – |
| 51 | 24 | Cons. Murch. 10c | 50 | –1 | Q30c | 5.5 | 14.3 |
| 13 | 2 | DRX Inc. | 9 | ..... | – | – | – |
| 11¼ | 7 | Dana Exploration | 8 | ..... | – | – | – |
| 28 | 14 | Eglinton Exp. Ir50p .γ | 15 | ..... | – | – | – |
| 4 | 0½ | Do. Warrants ..... γ | 0¾ | ..... | – | – | – |
| 11½ | 6½ | Emex Intl. Ir10p .. γ | 7 | ..... | – | – | – |
| 29 | 10 | Europa Minerals 2p .. α | 10 | ..... | – | – | – |
| 10 | 3½ | Feltrim Min. Ir20 | 4 | ..... | – | – | – |
| 17 | 2 | Gevor ........ β | 2¼ | ..... | – | – | – |
| 34 | 23 | Glencar Exploration .γ | 25 | ..... | – | – | – |
| £6¼ | £3¾ | Hemlo Gold Mines | £6⅛ | –⅛ | Q20c | – | 2.0 |
| 26 | 17 | Greenwich Res 5p .... α | 19 | ..... | – | – | – |
| £11⅞ | £7¾ | Homestake Mining $1 | £11¼ | –⅛ | Q20c | – | 1.1 |
| 61 | 30 | Ivernia West ..... γ | 55 | –1 | – | – | – |
| 46 | 36 | Kells Mins. Ir5p ... γ | 36 | ..... | – | – | – |
| 25 | 9 | Kenmare ....... γ | 13 | ..... | – | – | – |
| 18 | 15 | Navan Resources ... γ | 16 | ..... | – | – | – |
| 99 | 52 | Northgate Expl. C$1 | 82 | ..... | 9– | – | – |
| 16 | 6 | North West Explo | 7 | ..... | – | – | – |
| 109 | 25 | Nor-Quest Res | 109 | ..... | – | – | – |
| 188 | 82 | Oryx Gold Hldgs | 175 | ..... | – | – | – |
| 23 | 11 | Ovoca Gold IR 2p .. γ | 15 | ..... | – | – | – |
| 44 | 24 | Plateau Mining 20p ... β | 27 | ..... | – | – | – |
| 575 | 404 | RTZ 10p ........ α | 573 | –2 | 19.5 | 2.2 | 4.5 |
| 10 | 3¼ | Thorco Res. Inc. | 7 | ..... | – | – | – |
| 10 | 5 | Vizcaya Hldgs 5p ... β | 5 | ..... | – | – | – |
| 133 | 120 | Young Group 10p .. β | 123 | ..... | 5.2 | ♦ | 5.6 |

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ° Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- || No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or – |
|---|---|---|
| Craig & Rose £1 .. β | 640xd | ..... |
| Finlay Pkg. 5p .... β | 27 | ..... |
| Holt (Jos) 25p ..... β | 1975 | ..... |
| Helton Hldgs ....... γ | 35 | –8 |
| IRG | 128½ | ..... |
| United Drug | 170 | ..... |

### IRISH

| Stock | Price | + or – |
|---|---|---|
| Cap. 8½% Ln. 1991 | £99¾ | ..... |
| 9pc Cap Ln. 1996 | £97¾ | –⅛ |
| Fin. 13% 97/02 | £114¼ | ..... |
| Arnotts | 165 | ..... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| Stock | p |
|---|---|
| Allied-Lyons | 46 |
| Amstrad | 7 |
| Astec (BSR) | 6 |
| BAT | 60 |
| BOC Grp | 31 |
| BTR | 33 |
| Barclays | 38 |
| Blue Circle | 24 |
| Boots | 30 |
| Bowaters | 53 |
| Brit Aerospace | 56 |
| British Steel | 12 |
| Brit. Telecom | 29 |
| Cadburys | 33 |
| Charter Cons | 45 |
| Comm Union | 44 |
| Courtaulds | 32 |
| Eurotunnel | 50 |
| FKI | 6 |
| FNFC | 20 |
| Gen Accident | 48 |
| GEC | 17 |
| Glaxo | 80 |
| Grand Met | 62 |
| Guardian | 19 |
| GKN | 31 |
| Hanson | 19 |
| Hawker Sidd | 39 |
| ICI | 80 |
| Ladbroke | 22 |
| Legal & Gen | 36 |
| Lex Service | 28 |
| Lloyds Bank | 30 |
| Lucas Inds | 13 |
| Marks & Spencer | 21 |
| Midland Bk | 18 |
| Nat West Bk | 27 |
| P & O Dfd | 51 |
| Racal Elect | 18 |
| RHM | 28 |
| Rank Org Ord | 63 |
| Ratners | 17 |
| Reed Intnl | 36 |
| Sears | 8½ |
| SmKl. Beecham A | 58 |
| TI | 45 |
| TSB | 12 |
| Tesco | 21 |
| Thorn EMI | 64 |
| Trust Houses | 23 |
| T&N | 15 |
| Unilever | 60 |
| Vickers | 19 |
| Wellcome | 40 |

### Property

| Stock | p |
|---|---|
| Brit Land | 30 |
| Control Secs | 3 |
| Land Securities | 45 |
| MEPC | 48 |
| Mountleigh | 8½ |

### Oils

| Stock | p |
|---|---|
| Aviva Petm | 3 |
| Brit Petroleum | 28 |
| Burmah Castrol | 49 |
| Conroy Petm | 10 |
| Gaelic Res | 1 |
| Premier | 6 |
| Shell | 41 |
| Tuskar Res | 2 |
| Ultramar | 30 |

### Mines

| Stock | p |
|---|---|
| Lonrho | 21 |
| RTZ | 48 |

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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## AUTHORISED UNIT TRUSTS

**Maiden Unit Trust Managers Ltd (1400)F**
15 St Botolph St, London EC3A 7EE 031 226 6066

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Maiden General | 0 | 112.6 | 112.6xd | 115.8 | .... | 5.02 |

**Manulife Management Ltd (1200)H**
St George's Way, Stevenage Dealings 071-256 5858

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Growth Units | 5¼ | 129.4 | 130.8 | 139.2 | .... | 4.28 |
| Gilt & Fxd Int | 5 | 143.9 | 143.9 | 151.3 | +0.4 | 8.53 |
| Int'l Growth | 5¼ | 147.6 | 149.2 | 158.7 | -3.2 | 0.43 |
| North American ♥ | 5¼ | 96.50 | 97.95 | 104.2 | -1.4 | 0.37 |
| Far East | 5¼ | 119.5 | 120.5xd | 128.2 | -3.7 | 0.36 |
| UK Smaller Cos | 5¼ | 102.4 | 102.7xd | 109.3 | .... | 3.32 |
| European | 5¼ | 53.32 | 53.32xd | 56.90 | -0.21 | 1.12 |
| Japanese Growth | 5¼ | 36.45 | 36.45 | 39.04 | -1.35 | 0.00 |
| Managed P'folio | 5¼ | 49.01 | 49.35xd | 52.50 | -0.51 | 1.78 |
| High Income | 5¼ | 144.5 | 146.5 | 155.8 | +0.03 | 6.22 |
| High Yielding Gilt | 5¼ | 61.71 | 61.71 | 65.01 | +0.16 | 9.47 |
| Cash | | 51.16 | 51.16 | 51.16 | +0.04 | 8.54 |

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| UK Equity Inc | 5¼ | 112.7 | 112.7 | 121.3 | -0.5 | 6.70 |
| UK Equity Acc | 5¼ | 126.9 | 126.9 | 136.6 | -0.6 | 6.70 |
| UK Ind Tracker Inc | 5 | 119.2 | 119.2 | 127.4 | -0.1 | 3.91 |
| UK Ind Tracker Acc | 5 | 127.4 | 127.4 | 136.1 | -0.2 | 3.91 |
| US Eq Ind Tracker Inc | 5 | 146.2 | 146.2 | 156.8 | -2.0 | 2.86 |
| US Eq Ind Tracker Acc | 5 | 150.9 | 150.9 | 161.9 | -2.0 | 2.86 |
| Japan Tracker | 5 | 60.13 | 60.13 | 63.77 | -1.69 | 0.00 |
| Asian Trader | 5¼ | 88.83 | 88.83 | 94.81 | -1.80 | 1.42 |
| Managed Inc | 5¼ | 97.12 | 97.12xd | 104.4 | -0.2 | 2.03 |
| Managed Acc | 5¼ | 99.06 | 99.06xd | 106.4 | -0.2 | 2.03 |
| Cash Inc | 0 | 100.02 | 100.02xd | 100.02 | -0.62 | 11.83 |
| Cash Acc | 0 | 109.12 | 109.12xd | 109.12 | +0.08 | 11.83 |
| Europa | 5¼ | 103.0 | 103.0 | 110.4 | -0.5 | 0.00 |

**Geoffrey Morley Unit Mgrs Ltd (1200)F**
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Exempt Unit Tst | 4 | 112.76 | 112.76 | 120.22 | -0.98 | 2.60 |
| Exempt Smllr Cos | 3¼ | 222.08 | 222.08 | 240.69 | +0.47 | 1.40 |

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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### Edinburgh Fund Mngrs PLC

| Exempt Funds | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| American July 3 | 162.2 | 165.6 | +2.5 | 1.51 |
| Managed July 3 | 142.3 | 147.6 | -0.4 | 3.90 |
| Japan July 4 | 121.0 | 124.3xd | +0.6 | 0.08 |
| Sm Jap Cos July 5 | 594.5 | 610.8 | -9.5 | 0.08 |

### Fidelity Investment Services Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Mngd Pens P'folio | 128.4 | 132.4 | -0.90 | 3.70 |

### Robert Fleming Asset Mngmt Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Am Exempt | £484.92 | 492.13 | -2.35 | 1.62 |
| Gen Exempt | £129.04 | 131.82 | +0.11 | 3.99 |
| Jap Exempt | £484.66 | 496.34 | -3.91 | 0.76 |
| Pacific Exempt | £104.61 | 106.82 | +0.08 | 3.31 |
| Contl Euro Exempt | £95.41 | 97.30 | +0.25 | 2.27 |
| Indexed Exempt July 4 | £125.46 | 126.53 | .... | 4.95 |
| Amer Indxd Expt July 4 | £107.99 | 109.08 | .... | 2.73 |
| Japan Indxd Expt July 4 | £66.19 | 67.52 | .... | 0.63 |
| Euro Indxd Expt July 4 | £94.80 | 96.72 | .... | 2.85 |
| U'sens Indxd Expt July 4 | £101.07 | 103.29 | .... | 2.48 |

### Funds in Court*

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Capital July 3 | 489.42 | 493.00 | .... | 2.49 |
| Gross July 3 | 173.36 | 176.77xd | .... | 11.03 |
| High Yield July 3 | 290.47 | 292.80 | .... | 7.04 |

* Restricted to monies under Court control

### Henderson Unit Trust Management Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Pensions Mngd | 52.1 | 55.16 | -0.12 | 4.23 |

### INVESCO MIM Management Ltd

| Exempt Funds | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Intl Mngd P'Folio | 1210.0 | 1306.0 | .... | - |
| Mngd Pens (Acc) | 67.6 | 72.1 | .... | - |

### Lazard Brothers & Co. Ltd

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Property Jan 3 | £2560.0 | 2675.0 | .... | 6.00 |
| Inc Gth Prp Apr 16 | £1525.0 | 1460.0 | .... | 7.20 |

### Albany Life Assurance Co Ltd—Contd.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Intl Man Fd Acc(z) | 419.4 | 441.4 | -3.6 | - |
| Japan Fd(z) | 264.8 | 278.6 | -9.9 | - |
| UK Smlr Co's Fd Acc(z) | 93.5 | 98.4 | ... | - |
| Europlus Metro | 131.7 | 138.6 | -0.2 | - |
| Global Metro | 103.4 | 108.7 | -1.5 | - |
| Sunrise Metro | 125.3 | 131.8 | -3.5 | - |
| UK Metro | 113.1 | 119.0 | ... | - |
| Nth American Fd Acc(z) | 231.8 | 243.9 | -3.3 | - |
| Pac Basin Fd Acc(z) | 152.3 | 160.2 | -2.4 | - |
| Prop Fd Acc(z) | 333.0 | 350.5 | -0.6 | - |
| Millennium | 108.8 | 114.5 | -0.4 | - |
| Multiple Inv Acc(z) | 767.4 | 807.7 | -3.8 | - |
| **Pension Funds** | | | | |
| Brit Blue Chip Acc(z) | 189.3 | 199.2 | -0.1 | - |
| Eq Pen Fd Acc(z) | 2304.7 | 2425.9 | -10.0 | - |
| Euro Fd Acc(z) | 325.8 | 342.9 | -0.4 | - |
| Intl Fixed Int Acc | 426.7 | 449.2 | -4.3 | - |
| Fixed Int. Acc.(z) | 863.0 | 908.4 | +2.2 | - |
| Gt Money Pn Acc(z) | 555.7 | 584.9 | +0.5 | - |
| High Interest | 196.3 | 206.5 | +0.1 | - |
| High Income Fd Acc(z) | 140.6 | 147.9 | +0.4 | - |
| Intl Man Fd(z) | 624.4 | 657.2 | -7.1 | - |
| Jap Pen Fd Acc(z) | 360.8 | 379.7 | -13.5 | - |
| UK Smlr Co's Fd Acc(z) | 99.0 | 104.2 | ... | - |
| Europlus Metro | 143.8 | 151.3 | -0.4 | - |
| Global Metro | 107.7 | 113.3 | -1.5 | - |
| Sunrise Metro | 135.0 | 142.0 | -3.9 | - |
| UK Metro | 120.0 | 126.2 | -0.1 | - |
| N.Am Pn Fd Acc(z) | 279.2 | 293.8 | -5.3 | - |
| Pac Basin Fd Acc(z) | 176.3 | 185.6 | -2.7 | - |
| Property(z) | 583.2 | 613.9 | -1.1 | - |
| Mltple Inv Pens Acc(z) | 1571.9 | 1654.6 | -9.5 | - |
| **Broker Funds** | | | | |
| YRA Strategy | 137.0 | 144.2 | -0.8 | - |
| YRA Performance | 123.3 | 129.8 | -1.2 | - |
| Laughton Dollar (SE) | 109.8 | 115.5 | -0.6 | - |

### Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Life Funds

[illegible]

## INSURANCES

[illegible]

## OTHER UK UNIT TRUSTS

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Continued on next page

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## OFFSHORE INSURANCES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## MANAGEMENT SERVICES

## GUERNSEY (REGULATED)

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# FT MANAGED FUNDS SERVICE

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| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **U.S. Treasury Securities Fund Ltd** | | | | |
| Short Term Shares | $766.41 | | | - |
| Bond Income Shares | $889.16 | | | - |
| **Yamaichi Capital Mangmt (Guernsey) Ltd** | | | | |
| Japan Meta Growth | $9.83 | | -0.29 | - |
| Yamaichi ISS Fund | $7.21 | | -0.17 | - |
| Yamaichi CB Plus Fund | $7.82 | | -0.09 | - |
| Thai Inv Fund | $9.73 | | | - |
| Yamaichi OTC Equity Ltd | $9.35 | | -0.18 | - |

## IRELAND (SIB RECOGNISED)

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **GAM Fund Management Ltd (u)** | | | | | | |
| Kildare Street, Dublin 010 353 1760 630 | | | | | | |
| GAM Universal US $ Acc | $- | | 108.24xd | | -0.10 | - |
| GAM Universal US $ Inc | $- | | 105.95xd | | -2.39 | - |
| GAM Universal DM Acc | DM- | | 120.86xd | | +1.66 | - |
| GAM Universal DM Inc | DM- | | 118.23xd | | -0.97 | - |
| **MI Global Asset Mngmt Co Ltd "MI Trusts"** | | | | | | |
| MI Global Dollar | $- | | 0.97 | 1.04 | -0.01 | - |

## IRELAND (REGULATED)(**)

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **John Govett – Contd.** | | | | | | |
| Far East Equity | 5½ | $10.65 | 10.65 | 10.76 | -0.03 | 1.0 |
| US Smaller Cos | 5½ | $12.19 | 12.19 | 12.31 | +0.04 | 1.0 |
| European Equity | 5½ | [illegible] | 13.73 | 13.87 | -0.06 | 2.0 |
| UK High Income | 5 | £4.68 | 4.68xd | 4.70 | +0.01 | 10.75 |
| UK Equity | 5½ | £4.75 | 4.75 | 4.80 | +0.02 | 3.0 |
| Initial charge may alter for sales in other jurisdictions | | | | | | |
| **Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F** | | | | | | |
| PO Box 63, Bond Street, St. Helier, Jersey 0534 76029 | | | | | | |
| Stlg Fixed Int | 5½ | £1.156 | 1.156 | 1.229 | [illegible] | 9.74 |
| Offshore High Yield | 3½ | £1.422 | 1.420 | 1.480 | [illegible] | 12.67 |
| Global Equity Fund | 5½ | $13.79 | 13.79xd | 14.75 | +0.04 | 0.77 |
| European Equity | 5½ | [illegible] | 18.33 | 19.60 | +0.03 | 1.04 |
| UK Growth (CI Fund) | 5½ | £4.556 | 4.556 | 4.873 | [illegible] | 2.96 |
| Nth American Eqty | 5½ | $9.909 | 9.909 | 10.563 | [illegible] | 0.50 |
| Far Eastern Eqty | 5½ | $10.38 | 10.55 | 11.28 | -0.31 | 0.00 |
| International Mngd | 5½ | $10.61 | 10.61xd | 11.35 | -0.14 | 0.58 |
| **Intnl. Bond Fund** | | | | | | |
| Sterling Managed | 5½ | £10.29 | 10.29xd | 10.97 | +0.01 | 9.32 |
| US Dollar Managed | 5½ | $12.50 | 12.50xd | 13.32 | +0.05 | 6.41 |
| **International Currency Fund** | | | | | | |
| Sterling Managed | 5½ | £26.63 | 26.63 | 28.18 | -0.01 | - |
| US Dollar Managed | 5½ | $29.55 | 29.55 | 31.27 | +0.04 | - |
| Sterling | 0 | £25.26 | 25.26 | 25.26 | +0.02 | 10.66 |
| US Dollar | 0 | $38.15 | 38.15 | 38.15 | +0.02 | 4.48 |
| Deutschmark | 0 | [illegible] | 60.50 | 60.50 | +0.04 | 7.55 |
| Japanese Yen | 0 | Y4875 | 4,875 | 4,875 | [illegible] | 6.37 |
| Swiss Franc | 0 | SFr47.03 | 47.03 | 47.03 | +0.02 | 6.32 |
| Irish Punts | 0 | I£22.34 | 22.34 | 22.34 | +0.01 | 6.45 |
| **INVESCO MIM International (Jersey) Ltd** | | | | | | |
| PO Box 271, St Helier, Jersey 0534 73114 | | | | | | |
| Jersey Gilt (z) | 5¼ | £0.1701 | 0.1701 | 0.1792 | ... | 9.21 |
| **Lloyds Bank (CI) U/T Mgrs.** | | | | | | |

**Scimitar Worldwide Selection Fd Ltd**

**Scrimgeour Kemp-Gee Mngmt., Jersey**

**TSB Trust Funds (CI)**

**Target Internat. Management (Jersey) Ltd**

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## GUERNSEY

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar and yen lose ground

THE DOLLAR lost ground to European currencies, but improved against the Japanese yen on the foreign exchanges yesterday.

Comments by Mr David Mulford, US undersecretary of the Treasury had little impact on the dollar, with its movements generally influenced by the firm tone of the D-Mark, and nervousness surrounding the yen as Japanese equity prices fell sharply.

Mr Mulford told a news conference that "the administration has not been concerned about the recent rise of the dollar and is not concerned about its present level. There have been a couple of occasions where the speed of the movement has been of concern," but he added "we have made the point that the US is still competitive at current exchange rate levels."

Dealers said there was no obvious reason for the weakening of the dollar against European currencies, but an easing of tension in Yugoslavia had helped the D-Mark and the market is also waiting for the outcome of this week's Bundesbank council meeting, amid speculation about a possible rise in official German interest rates.

At the London close the dollar had fallen to DM1.8115 from DM1.8265; to FFr6.1450 from FFr6.1875; and to SFr1.5625 from SFr1.5750, but had climbed to Y138.75 from Y138.35. On Bank of England figures the dollar's index fell to 68.2 from 68.4.

Concern about the scandal involving Japanese brokerage houses pushed share prices down sharply in Tokyo and created nervous trading conditions for the yen. In London the D-Mark improved to Y76.60 from Y75.75.

The D-Mark held steady in the middle of the European exchange rate mechanism, one place above sterling. The pound moved above the Irish punt in the system, but eased slightly against the German currency as the market waited for the result of Thursday's Bundesbank council meeting and for Friday's figure on UK retail prices. A continuation of the downward trend in UK inflation is expected, and a possible cut in bank base rates.

Mr Norman Lamont, UK chancellor of the exchequer, told a meeting of European Community finance ministers that Britain is on course for a fall to 4 per cent in inflation by the end of the year.

Sterling gained 1.20 cents to $1.6280. The pound also rose to Y226.00 from Y223.50 and to FFr10.0050 from FFr10.0000, but fell to DM2.9500 from DM2.9525 and was unchanged at SFr2.5450. Its index climbed to 0.2 to 90.0.

The Spanish peseta continued to weaken, while remaining the highest placed currency in the ERM. It fell to FFr5.3870 per 100 pesetas from FFr5.4000 at the Paris fixing, but the D-Mark rose to FFr3.3924 from FFr3.3893 against the franc.

The Italian lira held on to second strongest position in the ERM. At the Milan fixing the D-Mark rose slightly to L744.47 from L744.01.

### £ IN NEW YORK

| July 8 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6315-1.6325 | 1.6150-1.6160 |
| 1 month | 0.77-0.75pm | 0.72-0.70pm |
| 3 months | 1.96-1.93pm | 1.94-1.92pm |
| 12 months | 5.55-5.45pm | 5.58-5.50pm |

Forward premiums and discounts apply to the US dollar

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Jul 8 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 129.354 | -3.20 | 4.65 | 56 |
| Italian Lira | 1538.24 | 1529.34 | -0.58 | 1.89 | 32 |
| Belgian Franc | 42.4032 | 42.2813 | -0.29 | 1.59 | 18 |
| Dutch Guilder | 2.31643 | 2.31341 | -0.13 | 1.43 | 10 |
| D-Mark | 2.05586 | 2.05419 | -0.08 | 1.38 | 10 |
| Sterling | 0.696904 | 0.696364 | -0.08 | 1.38 | 1 |
| Irish Punt | 0.767417 | 0.767362 | -0.01 | 1.31 | 4 |
| French Franc | 6.89509 | 6.96801 | 1.06 | 0.24 | -54 |
| Danish Krone | 7.84195 | 7.94393 | 1.30 | 0.00 | -56 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### STERLING INDEX

| | July 8 | Previous |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

### POUND SPOT - FORWARD AGAINST THE POUND

| Jul 8 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6205 - 1.6315 | 1.6275 - 1.6285 | 0.75-0.73cpm | 5.45 | 1.95-1.92pm | 4.75 |
| Canada | 1.8575 - 1.8650 | 1.8640 - 1.8650 | 0.48-0.40cpm | 2.83 | 1.16-1.03pm | 2.35 |
| Netherlands | 3.3150 - 3.3305 | 3.3150 - 3.3250 | ¾-½cpm | 2.26 | 1½-1¼pm | 1.58 |

### CURRENCY MOVEMENTS

[illegible]

### CURRENCY RATES

[illegible]

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

### EURO-CURRENCY INTEREST RATES

| | | | | | |
|---|---|---|---|---|---|
| Can. Dollar | 8¼ - 8 | 8½ - 8¼ | 8½ - 8¼ | 8⅜ - 8¼ | 8¼ - 8½ |
| Dutch Guilder | 9 - 8¾ | 9⅛ - 9 | 9⅛ - 9 | 9¼ - 9⅛ | 9⅛ - 9⅛ |
| Swiss Franc | 8¼ - 8 | 8¼ - 8 | 8 - 7¾ | 8 - 7¾ | 8 - 7¾ |
| D-Mark | 8⅞ - 8⅝ | 8⅞ - 8⅝ | 9 - 8¾ | 9⅛ - 9⅛ | 9⅜ - 9¼ |
| French Franc | 9¾ - 9½ | 9¾ - 9½ | 9¾ - 9⅝ | 9¾ - 9⅝ | 9¾ - 9⅝ |
| Italian Lira | 12 - 10 | 11¼ - 10¼ | 11⅝ - 11⅛ | 11⅝ - 11⅛ | 11⅞ - 11½ |
| Belgian Franc | 8¾ - 8½ | 9 - 8¾ | 9⅛ - 9 | 9⅛ - 9⅛ | 9⅛ - 9⅛ |
| Yen | 7¾ - 7⅝ | 7⅞ - 7¾ | 7⅞ - 7¾ | 7¾ - 7⅝ | 7⅞ - 7¾ |
| Danish Krone | 9¾ - 9½ | 9¾ - 9½ | 9⅝ - 9½ | 9½ - 9⅜ | 9⅝ - 9½ |
| Asian $Sing | 5¼ - 5 | 5¼ - 5 | 6⅛ - 5⅞ | 6¼ - 6⅛ | 6⅜ - 6⅛ |

Long term Eurodollars: two years 7⅝-7½ per cent; three years 8-7¾ per cent; four years 8⅛-8⅛ per cent; five years 8⅜-8¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### OTHER CURRENCIES

| | | |
|---|---|---|
| Korea(Sth) | 1170.35 - 1189.20 | 726.70 - 732.50 |
| Kuwait | 0.47355 - 0.47365 | 0.29495 - 0.29505 |
| Luxembourg | 60.70 - 60.80 | 37.25 - 37.35 |
| Malaysia | 4.5225 - 4.5305 | 2.7850 - 2.7870 |
| Mexico | 4908.45 - 4913.05 | 3015.00 - 3016.00 |
| N.Zealand | 2.8570 - 2.8600 | 1.7575 - 1.7595 |
| Saudi Ar | 6.0450 - 6.1215 | 3.7500 - 3.7510 |
| Singapore | 2.8530 - 2.8600 | 1.7605 - 1.7625 |
| S.Af (Cm) | 4.6915 - 4.7025 | 2.8885 - 2.8900 |
| S.Af (Fn) | 5.2950 - 5.3830 | 3.2575 - 3.3115 |
| Taiwan | 43.85 - 43.95 | 27.00 - 27.05 |
| U.A.E. | 5.9185 - 5.9955 | 3.6720 - 3.6740 |

* Selling rate.

### EXCHANGE CROSS RATES

| July.8 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | ECU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.628 | 2.950 | 226.0 | 10.01 | 2.545 | 3.320 | 2195 | 1.865 | 60.75 | 1.435 |
| $ | 0.614 | 1 | 1.812 | 138.8 | 6.149 | 1.563 | 2.039 | 1348 | 1.146 | 37.32 | 0.881 |
| DM | 0.339 | 0.552 | 1 | 76.61 | 3.393 | 0.863 | 1.125 | 744.1 | 0.632 | 20.59 | 0.486 |
| YEN | 4.425 | 7.204 | 13.05 | 1000. | 44.29 | 11.26 | 14.69 | 9712 | 8.252 | 268.8 | 6.350 |
| F Fr. | 0.999 | 1.626 | 2.947 | 225.8 | 10. | 2.542 | 3.317 | 2193 | 1.863 | 60.69 | 1.434 |
| S Fr. | 0.393 | 0.640 | 1.159 | 88.80 | 3.933 | 1 | 1.305 | 862.5 | 0.733 | 23.87 | 0.564 |
| H Fl. | 0.301 | 0.490 | 0.889 | 68.07 | 3.015 | 0.767 | 1 | 661.1 | 0.562 | 18.30 | 0.432 |
| Lira | 0.456 | 0.742 | 1.344 | 103.0 | 4.560 | 1.159 | 1.513 | 1000. | 0.850 | 27.68 | 0.654 |
| C$ | 0.536 | 0.873 | 1.582 | 121.2 | 5.367 | 1.365 | 1.780 | 1177 | 1 | 32.57 | 0.769 |
| B Fr. | 1.646 | 2.680 | 4.856 | 372.0 | 16.48 | 4.189 | 5.465 | 3613 | 3.070 | 100. | 2.362 |
| ECU | 0.697 | 1.134 | 2.056 | 157.5 | 6.976 | 1.774 | 2.314 | 1530 | 1.300 | 42.33 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

[illegible]

### LONDON (LIFFE)

[illegible]

### CHICAGO

[illegible]

### PHILADELPHIA SE £/$ OPTIONS

[illegible]

### PARIS

[illegible]

### POUND - DOLLAR

[illegible]

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Barclays Bank | 11.5 | ● Guinness Mahon | 11.5 | ● United Bk of Kuwait | 11.5 |
| Benchmark Bank | 11.5 | ● Hambros Bank | 11.5 | Unity Trust Bank Plc | 11.5 |
| Brit Bk of Mid East | 11.5 | Hampshire Trust Plc | 13.5 | Western Trust | 11.5 |
| ● Brown Shipley | 11.5 | Heritable & Gen Inv Bnk | 11.5 | Westpac Bank Corp. | 11.5 |
| Cl. Bank Nederland | 11.5 | ● Hill Samuel | 11.5 | Whiteaway Laidlaw | 11.5 |
| Citibank NA | 11.5 | C. Hoare & Co. | 11.5 | Yorkshire Bank | 11.5 |
| City Merchants Bank | 11.5 | Hongkong & Shanghai | 11.5 | | |
| Clydesdale Bank | 11.5 | ● Leopold Joseph & Sons | 11.5 | | |
| | | Lloyds Bank | 11.5 | | |
| | | Meghraj Bank Ltd | 11.5 | | |

● Members of British Merchant Banking & Securities Houses Association.

## MONEY MARKETS

# London rates ease

TWO EVENTS this week are likely to decide the immediate course of UK bank base rates; the German Bundesbank council meeting on Thursday and the following day's UK retail prices index for June.

Wholesale rates eased in London yesterday, with sentiment underpinned by an improvement of sterling in the European exchange rate mechanism. Three-month interbank fell to 11⅛-11$\frac{1}{16}$ from 11$\frac{3}{16}$-11⅛ per cent, while 12-month money was unchanged at 10¾-10⅝ per cent.

Short sterling futures were firmer on Liffe. September delivery opened higher at 89.57 and closed at 89.58 compared with 89.54 previously.

**UK clearing bank base lending rate 11.5 per cent from May 24, 1991**

Day-to-day credit was in short supply on the cash market. The Bank of England initially forecast a shortage of £1,100m, but revised this to £1,250m at noon and to £1,300m in the afternoon. Total assistance of £1,168m was provided.

An early round of help was offered and at that time the authorities bought £5m Treasury bills outright in band 2 at 11$\frac{1}{16}$ per cent. Before lunch another £341m bills were purchased, by way of £3m Treasury bills in band 1 at 11⅛ per cent; £46m bank bills in band 1 at 11⅛ per cent; £20m Treasury bills in band 2 at 11$\frac{1}{16}$ per cent; and £272m bank bills in band 2 at 11$\frac{1}{16}$ per cent.

In the afternoon £172m bills were bought, via £7m Treasury bills in band 1 at 11⅛ per cent; £135m bank bills in band 1 at 11⅛ per cent; £18m Treasury bills in band 2 at 11$\frac{1}{16}$ per cent; and £12m bank bills in band 2 at 11$\frac{1}{16}$ per cent. Late assistance of around £650m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,163m, with exchequer transactions absorbing £475m and bank balances below target £60m. These outweighed a fall in the note circulation adding £590m to liquidity.

In Paris the Bank of France left its money market intervention rate at 9.00 per cent, and its five to 10-day repurchase rate at 10.00 per cent, when adding liquidity to the domestic banking system, via a securities repurchase tender. The intervention rate was last changed on March 18, when its was cut by ¼ point.

In Brussels the Belgian National Bank kept its seven-day advances rate at 8.75 per cent ahead of yesterday's fixed rate tender against government paper and commercial bills.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. July 8) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 6⅛ | offer 6¼ | bid [illegible] | offer [illegible] |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

[illegible]

### LONDON MONEY RATES

[illegible]

### LEGAL NOTICES

WARWICK SYSTEMS LIMITED

Registered number: 01686779
Nature of business: Supply and support of computer software and hardware.
Trade classification: 36
Date of appointment of joint administrative receivers: 28 June 1991
Name of person appointing the joint administrative receivers: National Westminster Bank PLC.
IAN NAPIER and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 814 and 292) of Cork Gully
43 Temple Row
Birmingham
B2 5JT

### PERSONAL

**AUTHORS**
Your book published.
Details: Excalibur Press of London,
13 Knightsbridge Green, London,
SW1X 7QL.

### CLUBS

EVE has outlived others due to policy of fair play and value for money. Supper from 10-3.30 am. Glamorous hostesses, exciting cabaret. 189 Regent St. W1.071-734 0557

### COMPANY NOTICES

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(Formerly Oskarshamnsverkets Kraftgrupp Aktiebolag)
U.S.$50,000,000
RETRACTABLE BONDS 1997

In compliance with the requirements of the Council of The Stock Exchange, we inform holders of the above mentioned Bonds that copies of the English language version of the Annual Report and Accounts of OKG Aktiebolag are available from the offices of Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA.

BUSINESSES FOR SALE
Tuesdays, Saturdays and now FRIDAYS
For further information please contact
Gavin Bishop on 071-873 4780
or
Melanie Miles on 071-873 3308
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

# MONEY MARKET FUNDS

## Money Market Trust Funds

[illegible]

## Money Market Bank Accounts

[illegible]

JOTTER PAD

# CROSSWORD

No.7,589 Set by DANTE

**ACROSS**

1 Cancel immediately, we hear (5,3)
5 I'm lacking lustre in run through (6)
9 The Poles are, but not the N and S ones (8)
10 Listen out for bays (6)
12 Irritable fictional friend of Mole and Toad (5)
13 Camelford redesigned as protected area for shooting (4,5)
14 Indigestible food for example .... sent back (6)
16 Walter's still a good-for-nothing though reformed (7)
19 One in unusual stress doesn't give in (7)
21 Throw out uneven and inferior material (6)
23 Large bird's fair feature (3,6)
25 Old maid? (5)
26 Raise with some relief (6)
27 Living for a nice beef stew (8)
28 Takes a duck on board (6)
29 See 18 down

**DOWN**

1 The reason to go off course in a boat (6)
2 Tries awkwardly to embrace girl and causes annoyance (9)
3 Having no occupation (5)
4 She's had one ring and expects another (7)
6 Main set of changes in a document (9)
7 Boxing ring takes an age to erect (5)
8 Set off in good time towards dawn (8)
11 Southern depression lacking any precipitation (4)
15 Unemployment act? (9)
17 Communist officer seen on a British merchant ship (8,6)
18 and 29 across Many difficulties caused by the affluent society? (8,2,6)
20 Has a late meal? (4)
21 He makes nurse go out — as a theatre companion? (7)
22 Forward the making of a revolutionary key, perhaps (8)
24 Clark's end of the house (5)
25 Instrument of torture the Incas never had (5)

Solution to Puzzle No.7,588

# WORLD STOCK MARKETS

## INDICES

### NEW YORK

| DOW JONES | July 5 | July 4 | July 3 | July 2 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 2932.47 | (c) | 2934.70 | 2972.72 | 3035.33 (3/6) | 2470.30 (9/1) | 3035.33 (3/6/91) | 41.22 (2/7/32) |
| Home Bonds | 94.45 | (c) | 94.42 | 94.37 | 95.09 (30/5) | 91.30 (16/1) | 95.51 (9/2/87) | 54.99 (1/10/81) |
| Transport | 1195.70 | (c) | 1187.06 | 1179.65 | 1241.89 (3/6) | 894.30 (7/1) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 197.56 | (c) | 197.37 | 199.07 | 220.89 (16/4) | 196.87 (28/6) | 236.23 (2/1/90) | 10.50 (8/4/32) |

Day's High 2953.26 (c) Low 2917.71 (c)

| STANDARD AND POOR'S | July 5 | July 4 | July 3 | July 2 | 1991 HIGH | 1991 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 374.08 | (c) | 373.33 | 377.47 | 390.45 (17/4) | 311.49 (9/1) | 390.45 (17/4/91) | 4.40 (1/6/32) |
| Industrials | 446.19 | (c) | 445.30 | 450.17 | 463.23 (18/4) | 364.90 (9/1) | 463.23 (18/4/91) | 3.62 (21/6/32) |
| Financial | 28.94 | (c) | 28.79 | 29.23 | 31.58 (18/4) | 21.96 (9/1) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 204.92 | (c) | 204.47 | 206.52 | 213.21 (17/4) | 170.97 (9/1) | 213.21 (17/4/91) | 4.46 (25/4/42) |
| Amex Mkt. Value | 359.41 | (c) | 358.41 | 360.35 | 373.40 (18/4) | 296.72 (14/1) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 474.05 | (c) | 474.32 | 478.78 | 511.31 (17/4) | 355.75 (14/1) | 511.31 (17/4/91) | 54.87 (31/10/72) |

| | June 28 | June 21 | June 14 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.16 | 3.07 | 3.03 | 3.74 |

| | Jul 3 | Jun 26 | Jun 19 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.81 | 2.83 | 2.80 | 2.96 |
| S & P Indl. P/E ratio | 18.77 | 18.68 | 18.85 | 16.95 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Am T & T | 1,030,300 | 38⅞ | - ⅜ |
| Blockbuster | 999,400 | 8¾ | + ⅜ |
| Telefonos | 920,600 | 27⅞ | + ⅝ |
| Philip Morris | 906,900 | 65⅝ | + ¼ |
| Am Express | 906,300 | 22 | - ⅛ |
| BankAmerica | 877,500 | 34½ | - 1 |
| Gen Motors | 870,200 | 42½ | + ¼ |
| Upjohn | 788,100 | 44½ | + ¾ |
| IBM | 779,900 | 98⅝ | + ½ |
| Placer Dom | 758,000 | 14⅛ | - ¼ |

### TRADING ACTIVITY

| † Volume Millions | July 5 | July 4 | July 3 |
|---|---|---|---|
| New York SE | 69.790 | (c) | 139.290 |
| Amex | 5.130 | (c) | 10.577 |
| NASDAQ | 56.256 | (c) | 125.020 |
| **NYSE** | | | |
| Issues Traded | 1,940 | - | 2,032 |
| Rises | 795 | - | 457 |
| Falls | 547 | - | 1,116 |
| Unchanged | 598 | - | 459 |
| New Highs | 20 | - | 27 |
| New Lows | 11 | - | 26 |

### CANADA

| TORONTO | July 5 | July 4 | July 3 | July 2 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3160.20 | 3177.90 | 3155.08 | 3184.00 | 3284.18 (5/3) | 2632.06 (9/1) |
| Composite | 3482.30 | 3485.45 | 3479.07 | 3493.70 | 3582.07 (7/6) | 3161.95 (15/1) |
| MONTREAL Portfolio | 1848.60 | 1846.08 | 1837.94 | 1851.13 | 1903.86 (7/6) | 1686.89 (9/1) |

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | July 8 | July 5 | July 4 | July 3 | 1991 HIGH | 1991 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1525.7 | 1536.1 | 1523.9 | 1528.7 | 1558.3 (29/4) | 1204.5 (16/1) |
| All Mining (1/1/80) | 678.5 | 679.4 | 670.2 | 665.3 | 680.1 (29/4) | 561.6 (16/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 486.43 | 480.35 | 478.13 | 469.90 | 534.81 (16/4) | 390.84 (15/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1141.95 | 1150.60 | 1154.98 | 1152.60 | 1212.15 (17/4) | 917.59 (17/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 372.85 | 373.69 | 371.51 | 369.57 | 373.69 (5/7) | 302.26 (8/1) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 965.3 | 962.7 | 955.0 | 950.7 | 1186.9 (8/4) | 890.5 (23/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 458.79 | 457.89 | 460.67 | 462.47 | 494.95 (12/6) | 394.88 (15/1) |
| CAC 40 (31/12/87) | 1714.30 | 1723.14 | 1708.65 | 1718.02 | 1874.81 (11/6) | 1425.26 (15/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 677.53 | 682.83 | 680.93 | 677.36 | 717.43 (17/6) | 570.48 (15/1) |
| Commerzbank (1/12/53) | 1908.80 | 1925.5 | 1920.9 | 1910.3 | 2035.2 (31/5) | 1612.5 (15/1) |
| DAX (30/12/87) | 1605.04 | 1618.91 | 1616.11 | 1614.41 | 1715.80 (11/6) | 1311.82 (16/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3880.73 | 3892.71 | 3850.71 | 3796.57 | 3917.09 (20/5) | 2984.01 (16/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1361.34 | 1368.89 | 1362.29 | 1360.95 | 1520.65 (15/3) | 1114.86 (25/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 572.78 | 570.40 | 567.86 | 568.67 | 619.38 (3/6) | 486.26 (29/1) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 22176.17 | 22898.34 | 23135.61 | 23573.47 | 27146.91 (18/3) | 22176.17 (8/7) |
| Tokyo SE (Topix) (4/1/68) | 1729.91 | 1783.29 | 1796.98 | 1820.65 | 2028.85 (18/3) | 1625.00 (17/1) |
| 2nd Section (4/1/68) | 3045.15 | 3138.88 | 3165.72 | 3221.72 | 3423.45 (10/5) | 2473.52 (24/1) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 604.84 | 608.04 | 606.81 | 608.22 | 635.02 (29/5) | 470.41 (16/1) |
| **NETHERLANDS** | | | | | | |
| CBS Ttl.Rtn.Gen.(End 1983) | 273.4 | 276.5 | 276.9 | 276.6 | 284.8 (5/6) | 221.4 (16/1) |
| CBS All Shr (End 1983) | 194.8 | 197.0 | 197.3 | 197.1 | 203.1 (5/6) | 162.3 (16/1) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 756.20 | 758.87 | 754.38 | 753.26 | 792.13 (4/6) | 618.45 (21/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1027.88 | 1063.83 | 1094.17 | 1074.16 | 1183.40 (29/5) | 982.64 (10/1) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 391.67 | 396.49 | 395.24 | 398.80 | 422.43 (26/4) | 315.07 (16/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1465.0 | 1469.0 | 1403.0 | 1445.0 | 1469.0 (5/7) | 971.0 (25/2) |
| JSE Industrial (28/9/78) | 3907.0 | 3885.0 | 3864.0 | 3860.0 | 3911.0 (28/6) | 2829.0 (16/1) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 617.18 | 614.58 | 603.37 | 602.83 | 697.62 (4/1) | 590.57 (22/6) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 268.93 | 273.01 | 274.26 | 271.72 | 289.22 (18/3) | 213.70 (14/1) |
| **SWEDEN** | | | | | | |
| Affärsvärlden Gen. (1/2/37) | 1127.2 | 1132.2 | 1130.1 | 1133.3 | 1137.8 (19/6) | 808.4 (8/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 744.6 | 751.1 | 749.1 | 745.1 | 766.1 (31/5) | 590.4 (14/1) |
| SBC General (1/4/87) | 616.0 | 621.3 | 621.0 | 618.8 | 638.0 (31/5) | 487.1 (14/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 5318.01 | 5591.96 | 5607.21 | 5604.69 | 6305.22 (9/5) | 3316.26 (15/1) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 726.34 | 716.29 | 712.57 | 723.01 | 908.13 (19/4) | 582.48 (16/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) ($) | 478.0* | 483.0 | 482.1 | 483.8 | 529.2 (17/4) | 439.1 (16/1) |

**Saturday July 6: Taiwan Weighted Price: 5412.61 Korea Comp Ex. 610.43.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Monday 8 July 1991

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Clarion | 11.0m | 900 | -78 | Kurabo Ind. | 4.3m | 740 | -80 |
| Kitano Const. | 8.7m | 1,880 | -110 | Hitachi | 4.3m | 1,120 | -30 |
| Nippon Carbon | 6.1m | 828 | +1 | Hitachi Zosen | 4.2m | 580 | -27 |
| Honshu Paper | 5.4m | 660 | -70 | Nippon Steel | 3.7m | 405 | -5 |
| Akai Electric | 5.1m | 1,020 | -120 | Hattori Seiko | 3.4m | 1,900 | -400 |


# WALES

The FT proposes to publish this survey on **16 September, 1991.**

It will be of particular interest to the 130,000 directors and managers in the UK who read the FT. If you want to reach this important audience, call Clive Radford on 0272 292565. Fax 0272 225974 or write to him at Merchants House, Wapping Road, Bristol BS1 4RW.

*Data source: BMRC Businessman Survey 1990*

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER



# COURIER & EXPRESS SERVICES

The FT proposes to publish this survey on **July 24 1991.**

In the UK the weekday FT is read by 30% of Board Directors involved in decision making about postal and despatch services. The FT's coverage exceeds that of any other daily newspaper. If you want to reach this important audience, call Philip Dodson on 071 873 3389 or fax 071 873 3062.

*Data source: BMRC 1990 (weighted by company size)*

FT SURVEYS

*3:15 pm prices July 8*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 16⅞ | 9¼ | AAR Corp | 0.48 | 0.03 | 16 | 115 | 15 | 14⅞ | 14⅞ | +⅛ |
| 18¾ | 14½ | A L Labs A | 0.18 | 0.01 | 17 | 106 | 16 | 15¾ | 15⅞ | -⅛ |
| 55½ | 40⅞ | AMP Inc | 1.44 | 0.03 | 20 | 1597 | 53½ | 51⅞ | 53⅛ | +1⅜ |
| 65⅝ | 44¼ | AMR | | | 19 | 2397 | 65⅞ | 63¾ | 65¾ | +1⅞ |
| 2⅝ | 1¼ | ARX | | | 1 | 102 | 1⅜ | 1⅜ | 1⅜ | |
| 54¼ | 41½ | ASA | 3.50 | 0.06 | 15 | 728 | u54¾ | 54¼ | 54½ | +¼ |
| 54 | 39¼ | Abbott Lab | 1.00 | 0.02 | 22 | 3044 | 52¼ | 51⅞ | 52¼ | +⅛ |
| 14½ | 9⅞ | Abitibi Pr | 0.50 | 0.04 | 25 | 23 | 13½ | 13½ | 13½ | -⅛ |
| 11⅝ | 10⅜ | ACM Gvt In x | 1.26 | 0.11 | | 621 | 11⅛ | 10⅞ | 11⅛ | |
| 9¾ | 8⅞ | ACM GvOpp x | 1.01 | 0.11 | | 7 | 9⅛ | 9 | 9⅛ | -⅛ |
| 9¼ | 8¼ | ACM Gvt Sp x | 1.01 | 0.11 | | 679 | 9⅛ | 8⅞ | 8⅞ | -⅛ |
| 11 | 9⅞ | ACM Gvt Sc x | 1.26 | 0.12 | | 598 | 10½ | 10⅜ | 10½ | |
| 8⅝ | 7⅝ | ACM Man x | 1.01 | 0.12 | | 207 | 8¼ | 8⅛ | 8¼ | |
| 12⅞ | 11½ | ACM Mangd x | 1.35 | 0.11 | | 107 | 12⅛ | 12 | 12⅛ | |
| 7½ | 4⅝ | Acme Cleve | 0.40 | 0.06 | 14 | 122 | 6⅛ | 6⅛ | 6⅛ | +⅛ |
| 6 | 3½ | Acme Elect | | | 39 | 121 | 4⅛ | 4 | 4 | |
| 40 | 22⅞ | Acuson | | | 24 | 463 | 32⅝ | 31½ | 32⅛ | +⅜ |
| 18½ | 14¼ | Adams Expr | 0.73 | 0.04 | 0 | 130 | 18 | 17¾ | 18 | +⅛ |
| 20¼ | 18 | Adobe12Pf | 2.40 | 0.13 | | 14 | 19⅛ | 19 | 19 | +⅛ |
| 9¾ | 6¾ | Adobe Res | | | 20 | 38 | 7 | 7 | 7 | +⅛ |
| 38⅜ | 18 | Ad Micro | | | | 222 | 34½ | 34¼ | 34½ | -⅛ |
| 14¼ | 4⅜ | Ad Micro P | 3.00 | 0.26 | 12 | 9633 | 11⅜ | 11 | 11⅜ | |
| 6⅛ | 2¼ | Advest Grp | 0.16 | 0.04 | 5 | 110 | 4⅜ | 4⅛ | 4⅛ | -⅛ |
| 49⅛ | 33⅞ | Aetna Lf | 2.76 | 0.07 | 7 | 1519 | 40⅞ | 40⅛ | 40⅞ | -⅛ |
| 10⅝ | 8⅝ | AMB A | 0.24 | 0.03 | 38 | 638 | 9⅛ | 8⅞ | 9 | -⅛ |
| 20¼ | 12 | Ahmanson | 0.88 | 0.05 | 10 | 675 | 17¾ | 16¾ | 17⅜ | +⅜ |
| 12¼ | 2⅞ | Aileen Inc | | | 16 | 292 | 12 | 11¾ | 12 | |
| 74⅛ | 51⅞ | Air Pr Chm x | 1.44 | 0.02 | 16 | 270 | 68⅝ | 68 | 68⅛ | -¼ |
| 28⅝ | 16⅜ | Airbne Frt | 0.30 | 0.01 | 15 | 275 | 24⅞ | 24½ | 24⅞ | +¼ |
| 18⅞ | 12½ | Airgas Inc | | | 65 | 47 | 14⅛ | 14 | 14 | -⅜ |
| 15¼ | 10 | Airlease x | 2.29 | 0.19 | 6 | 18 | 12⅜ | 12⅛ | 12¼ | -⅛ |
| 94 | 88¼ | AlaPw8.16 | | | | 2 | 91 | 90 | 90 | |
| 24½ | 21⅞ | AlaPw PfA | 2.00 | 0.08 | | 25 | 24½ | 24½ | 24½ | |
| 104½ | 100 | AlaPw9.44 | | | | z100 | 102 | 102 | 101 | -1 |
| [illegible] | | | | | | | | | | |

[illegible]


Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 25⅝ | 14⅞ | Rohr Inds | | | 16 | 84 | 23¼ | 23½ | 23¼ | |
| 12⅞ | 8⅝ | RollinsEnv | 0.08 | 0.01 | 15 | 1603 | 8⅞ | 8⅝ | 8⅝ | |
| 25 | 16⅝ | RollinsInc | 0.56 | 0.03 | 18 | 74 | 21⅞ | 21⅝ | 21⅞ | +⅛ |
| 13⅛ | 7⅛ | RollinsTrL | 0.20 | 0.02 | 12 | 309 | 12⅞ | 12½ | 12¾ | +⅛ |
| 11⅛ | 6 | Rowan Cos | | | | 137 | 509 | 8¼ | d8 | 8¼ |
| 25 | 22⅛ | RoyBkScot | 2.81 | 0.12 | | 67 | 24⅞ | 24⅛ | 24⅛ | -⅛ |
| 84¼ | 73⅛ | RylDutch | 4.73 | 0.06 | | 94767 | 77¼ | 75⅞ | 77⅛ | +⅛ |
| 11 | 7½ | Royce Val | | | | 452 | 9⅞ | 9⅜ | 9⅞ | |
| 54 | 37 | Rubbermaid | 0.60 | 0.01 | 27 | 395 | 50⅝ | 49⅝ | 50⅝ | -⅛ |
| 17½ | 13⅝ | RussBerrie | 0.60 | 0.04 | 11 | 16 | 13⅝ | 13¼ | 13¼ | |
| 7⅞ | 4 | Russ Togs | | | 1 | 188 | 5⅞ | 6 | 5 | -⅛ |
| 28⅞ | 19⅝ | Russell Cp | 0.32 | 0.01 | 17 | 319 | 23⅝ | 23 | 23¼ | +⅛ |
| 21⅞ | 14 | Ryder Syst | 0.60 | 0.03 | 24 | 1320 | 20¼ | 19 | 20 | +⅛ |
| 25⅛ | 13¼ | Ryland Grp | 0.60 | 0.03 | 30 | 127 | 20⅛ | 19½ | 20⅛ | +⅛ |

- S -

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 26½ | 20⅝ | S Atlis Rt x | 2.08 | 0.09 | 17 | 58 | 24⅞ | 23⅞ | 24⅛ | -⅛ |
| 15⅛ | 11⅞ | SCOR US Cp | 0.24 | 0.02 | 7 | 5 | 12½ | 12⅛ | 12¼ | -⅛ |
| 37 | 20⅝ | SPS Techno | 1.28 | 0.05 | 15 | 14 | 28 | 27⅞ | 27⅞ | -⅛ |
| 2⅛ | ⅞ | SantaMZS | | | | 01052 | [illegible] | d⅞ | [illegible] | +⅛ |
| 13 | 11 | Sabine Rt x | 1.63 | 0.13 | 7 | 30 | 12⅞ | 12¼ | 12⅞ | |
| 9⅞ | 5⅞ | Safecard | 0.15 | 0.02 | 8 | 293 | 8⅝ | 8⅛ | 8½ | +⅛ |
| 13⅞ | 8⅞ | Safeg'd Sc | | | 3 | 118 | 12⅞ | 12½ | 12⅞ | |
| 37 | 25 | SafetyKln | 0.32 | 0.01 | 29 | 1465 | 30⅛ | 29⅝ | 30⅛ | +⅛ |
| 21⅞ | 11⅞ | Safeway | | | 17 | 1798 | 18⅛ | 17⅛ | 17⅞ | -½ |
| 4⅞ | 2⅞ | SafewayW96 | | | | 630 | 4 | 3⅞ | 4 | |

- X - Y - Z -

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 60⅞ | 35¼ | Xerox | 3.00 | 0.05 | | 91724 | 55¼ | 53⅞ | 54⅞ | +1 |
| 51 | 43¼ | Xerox4.125 | | | | 5 | 48 | 48 | 48 | +¼ |
| 21¼ | 14⅞ | Xtra 1.94 | | | | 22 | 20½ | 20⅞ | 20⅞ | -¼ |
| 24⅞ | 14¼ | Xtra Corp | 0.72 | 0.03 | 28 | 25 | 23⅞ | 23⅞ | 23⅞ | +⅛ |
| 24¼ | 21¾ | Yankee Egy | 1.60 | 0.07 | 12 | 43 | 22¼ | 22⅝ | 22¼ | +¼ |
| 1½ | ⅛ | Zapata | | | 0 | 143 | [illegible] | ⅞ | ⅞ | |
| 9⅞ | 6⅛ | ZenithElec | | | 2 | 310 | 7 | 6⅝ | 6⅞ | -⅛ |
| 18½ | 12 | Zenith Nat | 1.00 | 0.06 | 70 | 8 | 16⅞ | 16⅞ | 16⅞ | +⅛ |
| 6⅛ | 4½ | Zenix Inc | 0.99 | 0.16 | | 39 | u6⅛ | 6⅛ | 6⅛ | +⅛ |
| 15⅛ | 10⅞ | Zero Corp | 0.40 | 0.03 | 14 | 171 | 13⅞ | 13½ | 13⅞ | +⅛ |
| 41⅞ | 29½ | Zurn Ind | 0.88 | 0.02 | 14 | 208 | 35½ | 35¼ | 35¼ | -⅛ |
| 13½ | 10¼ | Zweig Fund x | 1.12 | 0.09 | | 201 | 12½ | 12¼ | 12⅞ | -⅛ |
| 10 | 8½ | Zweig Tot x | 0.96 | 0.10 | | 301 | 9⅞ | 9⅛ | 9⅞ | |

*Price data supplied by Telekurs.*

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*3:00 pm prices July 8*

| Stock | Div. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| Pall Corp | 0.44 | 28 | 690 | 36⅝ | 35¾ | 36⅝ | +⅛ |
| Pegasus G | | 8 | 175 | 13⅞ | 13⅝ | 13⅞ | +¼ |
| Penrl | | 8 | 2 | 11½ | 11½ | 11⅞ | |
| Pet H&P | 0.31 | 12 | 4 | u10⅞ | 10⅞ | 10½ | |
| Phil LD | 0.17 | 8 | 61 | 19⅛ | 18⅞ | 18⅞ | -½ |
| Pitney A | 1.10 | 10 | 15 | 23⅝ | 23⅝ | 23⅝ | -¼ |

# NASDAQ NATIONAL MARKET

*3:15 pm prices July 8*


## The PHARMACEUTICAL INDUSTRY

The FT proposes to publish this survey on 23 July 1991.
It will be seen by approximately one million readers in 160 countries world wide. If you want to reach this important audience, call Bill Castle on 071 873 3760 or fax 071 873 3062

FT SURVEYS



## ZIMBABWE

The FT proposes to publish this survey on 27 August 1991 and it will be distributed to 160 countries worldwide. If you want to reach this important audience, call Louise Hunter on 071 873 3238 or fax 071 873 3079.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

AMERICA

# Dow eases on concern about company profits

## Wall Street

ANOTHER BIG fall in Japanese share prices overnight and mild concern about the impact of the dollar's strength on second-quarter corporate profits left share prices weaker yesterday morning, *writes Patrick Harverson in New York.*

At 1 pm the Dow Jones Industrial Average was down 10.96 at 2,921.51. The more broadly based Standard & Poor's 500 was also weaker, easing 0.99 to 373.09 by 1 pm. In contrast, the Nasdaq composite of over-the-counter stocks, aided by firm technology stocks, rose 0.75 to 474.80. Turnover on the New York SE was low at 67m shares by 1 pm, and declines outpaced rises by 890 to 536.

The market opened sharply weaker in a knee-jerk reaction to the 3.15 per cent plunge in Tokyo share prices. Although the link between the Japanese and US stock markets is not strong, said analysts, the big drop in the Nikkei average provided investors with an excuse to offload stock ahead of what could be a difficult reporting season for US companies.

In particular, the market is aware that the dollar's appreciation against major currencies in the second quarter could reduce overseas earnings for big US exporters.

The softness in the wider market bypassed leading technology stocks. Digital Equipment put in the best performance, rising $2⅛ to $62⅛, followed by Hewlett-Packard, which rose $1 to $51⅞, and IBM, which firmed $¾ to $99.

There were similar gains in the over-the-counter technology sector. Microsoft rose $2 to $63¾ on turnover of 1.2m shares, a good recovery from last week's losses, when news of an alliance between IBM and Apple to sell computer software invoked concern about the effect on Microsoft's market share.

Apple was also higher, up $½ at $46⅛ on turnover of 1.7m shares, Intel rose $⅞ to $43¾ on 1.3m, and Sun Microsystems was $1⅞ better at $27¼.

Bank stocks were mostly lower, possibly troubled by jitters in the international banking system following the forced closure of the $20bn Bank of Credit and Commerce International. Manufacturers Hanover slipped $⅛ to $21, Chase Manhattan fell $⅜ to $17 and BankAmerica lost $⅜ to $34⅛.

Cambex, a manufacturer of IBM-compatible computer equipment, jumped $1⅝ to $13¾ after reporting net income of 36 cents a share for the third quarter ended June 1, up from 22 cents a share a year ago.

Centocor climbed $1½ to $35¾ after the company said that a patent related to its Centoxin product had been granted by the European Patent Office. Genetics Institute firmed $⅛ to $29½ on news of an alliance between the company and Schering-Plough to market two compounds produced by Genetics Institute.

## Canada

TORONTO held at lower levels at midday after fluctuating in a tight range in morning trade. The composite index was down 10.2 at 3,473.10. Declines led advances by 187 to 127 on volume of 5.7m shares.

Lac Minerals said late on Sunday that it and Bond International had agreed on an exchange ratio whereby Lac will exchange 0.71 of a common share for each share of Bond. Lac fell C$¼ to C$10⅛.

Bank shares were among the day's biggest losers on fears of higher interest rates. Canadian Imperial fell C$¼ to C$29¾, Toronto-Dominion dropped C$⅛ to C$18⅛ and Bank of Montreal slipped C$⅛ to C$34¾.

## SOUTH AFRICA

JOHANNESBURG moved to a new high for the second session running, bolstered by De Beers which rose R2 to R88. The all-share index gained 19 to 3,439 and the industrial index rose 22 to 3,907, but the all-gold index eased 4 to 1,465.

ASIA PACIFIC

# Nikkei hits 1991 low on worries over broker sanctions

## Tokyo

THE NIKKEI average plummeted 3.15 per cent to the year's low yesterday on concern over sanctions against leading securities houses, announced after the market closed, *writes Emiko Terazono in Tokyo.*

The average fell 722.17 – its third largest fall of the year – to 22,176.17. The previous 1991 low was 22,442.70 on January 16 during the Gulf War.

Share prices firmed in the morning, with the index hitting a day's high of 22,970.49, but small-lot selling then pushed the Nikkei to a low of 22,175.29.

Volume remained depressed at 300m shares, but up from 240m. Losers overwhelmed gainers by 958 to 33, while 61 issues remained unchanged. A total of 166 issues fell to their year's low. The Topix index of all first-section stocks dropped 53.32 to 1,729.91 but, in London trading, the ISE/Nikkei 50 index rose 8.12 to 1,338.94.

Reports that the Ministry of Finance was about to announce sanctions against the Big Four securities houses, Nomura, Nikko, Daiwa and Yamaichi, triggered widespread selling. After the close, the ministry ruled that their corporate business should be suspended for four days, starting tomorrow.

The Tokyo Stock Exchange imposed penalties of Y5m each on Nomura and Nikko, and Y3m each on Yamaichi and Daiwa. Traders said that, while the penalties had been expected, the ministry's stance had disillusioned investors. The ministry had supported for the market at times of weakness in the past.

The Nikkei's fall below 22,500 was also due to the absence of support operations by the Big Four. "There is no one to co-ordinate the usual buying activities of the institutions," said Mr Masami Okuma at UBS Phillips & Drew.

Rumours that a large speculator and art dealer was in financial trouble caused a heavy sell-off in speculative issues. Clarion, the most active issue of the day, fell Y78 to Y900, Honshu Paper Y70 to Y690, and Seiko, the watch maker, Y400 to Y1,900.

Brokerages continued to fall, with Nomura Securities down Y60 at Y1,570 and Nikko Securities losing Y29 to Y841, both lows for the year. However, New Japan Securities, a second-tier brokerage, added Y2 to Y689. The company has gained business from public funds after the scandals at the Big Four.

In Osaka, the OSE average plunged 652.99 to 25,191.89, falling for the fourth session, on volume of 17.4m shares, down from 24.4m. Nintendo, the game maker, fell Y500 to Y12,600 and Shimano, the bicycle parts company, retreated Y350 to Y2,050.

## Roundup

TOKYO's weakness weighed on the Pacific Rim yesterday.

MANILA fell in a wave of panic selling after newly listed Ayala Land fell below its offer price of 26 pesos to close at 25.50 pesos. Investors had expected the share to reach at least 30 pesos, banking on its net asset value of 36 pesos.

The threat of a strike by the transport union also depressed share prices. The composite index lost 36.75 or 3.5 per cent to 1,027.08. Turnover fell to 208m pesos, half of which was generated by Ayala Land, from Friday's 1.9bn, which had been bloated by Ayala's debut.

TAIWAN's weighted index fell 94.60 or 1.7 per cent to 5,318.68, taking its decline since June 26 to 11.7 per cent. Turnover fell to T$21.8bn from T$24.5bn.

**Philippines**

Manila Composite Index


Source: Datastream

SINGAPORE was undermined by Tokyo's fall, and confirmation that BBMB Securities, a Malaysian stockbroker, had made heavy losses. The Straits Times Industrial index lost 22.98 or 1.6 per cent to 1,453.67 in volume of 45m shares, down from 52m.

KUALA LUMPUR's losses were limited by a 20-cent rise in Telekom Malaysia shares. The composite index closed 3.20 down at 604.84, after a day's low of 600.97. Malayan United Industries, the subject of takeover speculation, rose 5 cents to M$2.67 in the day's biggest volume of 8.9m shares.

HONG KONG eased on profit-taking. The Hang Seng index ended 11.98 lower at 3,880.73, falling back from a midday level of 3,931.21. Turnover remained active, but shrank from HK$3.39bn to HK$2.59bn.

NEW ZEALAND closed mixed in light trading. The Barclays index rose 2.02 to 1,475.16 in turnover of NZ$8.7m after Friday's NZ$16.5m.

Brierley Investments gained 1 cent to NZ$1.16 on volume of 2.3m shares, including a block sale of 1m shares. Brierley announced that a delayed share swap with its 70 per cent-owned Industrial Equity (Pacific), based in Hong Kong, had gone ahead.

AUSTRALIA drifted lower in lacklustre business. The All Ordinaries index fell 10.4 to 1,525.7 in turnover of A$131m, down from A$171m.

Details of a public share offering of up to 30 per cent of the government-owned Commonwealth Bank at A$5.40 a share was considered expensive by some analysts, because of an uncertain profit outlook.

JAKARTA lost further ground as Semen Gresik, Indonesia's first privatised company, fell below its offer price on its debut. The index lost 3.47 to 338.31. Gresik, a cement company, closed at 5,650 rupiah, compared with an offer price of 7,000 rupiah, on volume of 6.24m shares.

SEOUL rose in active trading, on hopes of improved liquidity. The composite index gained 6.75 to 617.18, in turnover of Won191bn.

BANGKOK's SET index added 10.05 to 726.34 on turnover of 2.82bn baht, spurred by heavy trading in two real estate issues.

● **Farhan Bokhari in Islamabad adds:** In spite of the economic uncertainty caused by a rush of depositors withdrawing funds from BCCI accounts in Pakistan, KARACHI continued to rally yesterday. The KSE index rose above 2,000 for the first time ever, closing at 2,010.

The index has risen by 97 points since it opened on Saturday. At that point, professionals were predicting a drop, following the worldwide closure of BCCI. The market has risen 26.9 per cent since the start of this year.

Mr Sartaj Aziz, the finance minister, has attributed the KSE's rise was to government-backed incentives for privatisation and free market growth. Local businessmen say that the market has risen on a wave of optimism after last month's flotation in Hong Kong of a Citicorp-backed mutual fund for investment in Pakistan.

EUROPE

# Bourses fall in light trading after Japan's steep decline

BOURSES DRIFTED lower yesterday on concerns that Tokyo would fall further, although there was little actual selling, *writes Our Markets Staff.*

FRANKFURT eased back in light trading as dealers considered Germany's 1992 Budget (due tomorrow) and interest rate prospects. Bonds fell again while, in equities, the FAZ index lost 5.30 to 677.53 at midsession and the DAX closed 13.87 lower at 1,605.04.

*Mr James Cornish of County* NatWest saw a dichotomy between fiscal and political desires in Bonn, with the Economics Ministry demanding subsidy cuts and its political masters wanting to delay. "A fudge seems likely," said Mr Cornish, "with some of the cuts being balanced by increased spending."

With inflation heading for 4 per cent, this would suggest an interest rate rise at Thursday's Bundesbank meeting. However, said Mr Cornish, the west German economy might be slowing down, and the Bundesbank wanted continued growth in west Germany to aid the east German recovery process.

He thought that the Bundesbank could compromise, lifting the discount rate by half a percentage point as a warning, but leaving the Lombard rate unchanged. The effect on equity market sentiment could be a repeat of what happened yesterday, with banks weak on the assumption that any rise in interest rates is bad for them, and steels and engineering lower on the economic slowdown that higher rates are likely to promote.

PARIS finished above its lows on mild bargain-hunting. The CAC 40 index closed 8.84 down at 1,714.30, after 1,697.55. Turnover was modest after Friday's FFr2.8bn.

Cap Gemini Sogeti (CGS), the computer services company, provided some excitement in a dull day, rising FFr10.60 or 3.4 per cent to FFr321. Its parent company, Sogeti, said that it was in talks with Daimler-Benz of Germany, which planned to take a 34 per cent stake.

Club Mediterranée dropped FFr14 or 3.2 per cent to FFr417. The leisure company said that, after the adverse effects of the Gulf War on its business, it should at least break even in 1991 compared with a net profit of FFr395m in 1990.

A block of 110,000 shares in Esso France was traded at FFr590 each late in the day. The stock fell FFr17 to FFr578.

MILAN ended mostly higher on late demand for blue chips, as professionals covered short positions. The Comit index rose 2.38 to 572.78 in volume estimated at more than Friday's modest L77bn.

The market leaders, Generali and Fiat, put in a respectable showing. Generali rose L55 to L32,250, pulling up the rest of the insurance sector. Ras, for example, rose L384 to L19,594.

Fiat gained L31 to L6,069, continuing the recovery which started late last week, and reached L6,140 after hours.

MADRID fell sharply in the wake of the plunge in Tokyo. The general index lost 4.08 or 1.5 per cent to 268.93 in light turnover of about Pta7bn, down from Pta12.2bn. Telefónica dropped Pta20 to Pta953.

STOCKHOLM's Affärsvärlden General index fell 5.0 to 1,127.2, in thin volume of SKr166m, down from Friday's SKr288m.

Yesterday Asea shares traded without the right to receive shares in the new Incentive AB, ahead of the split which divides the company into two groups. The new Asea AB will encompass mainly its 50 per cent stake in the Swiss-Swedish Asea Brown Boveri, while the group's other industrial operations will be included in Incentive AB. Adjusted for the split, Asea B free closed at SKr370, after SKr568 on Friday. Trading in Incentive shares will start on July 18.

AMSTERDAM closed lower in dull trading. The CBS Tendency index ended 1.1 down at 91.6. BRUSSELS also fell in thin trading. The Bel20 index dropped 8.2 to 1,141.95 in turnover of about BFr454m.

VIENNA rose further in the absence of bad news from Yugoslavia, which borders Austria. The bourse index gained 5.82 or 1.1 per cent to 542.89.

**FT-SE Eurotrack 100 - Jul 8**

Hourly changes

| Open | 10 am | 11 am | Noon | 1 pm | 2 pm | 3 pm | Close |
|---|---|---|---|---|---|---|---|
| 1092.47 | 1092.25 | 1093.47 | 1091.65 | 1091.64 | 1090.43 | 1090.11 | 1090.75 |

Day's High 1093.97 Day's Low 1089.41

| Jul 5 | Jul 4 | Jul 3 | Jul 2 | Jul 1 |
|---|---|---|---|---|
| 1098.71 | 1099.95 | 1095.64 | 1109.86 | 1112.76 |

Base value 1000 (26/10/90)

# Excitement in Hong Kong and Mexico

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1991 | Start of 1991 | Start of 1991 |
| Austria | −1.79 | −11.02 | −27.74 | +6.13 | +3.63 | −13.23 |
| Belgium | −0.24 | −1.99 | −9.33 | +14.05 | +11.97 | −6.24 |
| Denmark | +2.60 | +5.23 | +3.11 | +26.62 | +23.93 | +3.77 |
| Finland | −3.20 | −16.04 | −23.46 | +6.73 | +5.93 | −11.38 |
| France | −1.07 | −6.42 | −14.29 | +12.81 | +10.78 | −7.25 |
| Germany | +0.17 | −5.04 | −17.30 | +12.96 | +10.42 | −7.54 |
| Ireland | +0.46 | −4.04 | −16.98 | +16.61 | +14.98 | −3.72 |
| Italy | −3.03 | −6.86 | −24.87 | +9.64 | +8.71 | −8.96 |
| Netherlands | −0.23 | −1.89 | +1.99 | +18.57 | +16.12 | −2.76 |
| Norway | +0.88 | −3.93 | −11.92 | +10.75 | +9.19 | −8.57 |
| Spain | −0.94 | −4.39 | −7.64 | +21.93 | +21.46 | +1.70 |
| Sweden | −0.07 | +1.67 | −12.09 | +36.21 | +38.58 | +16.04 |
| Switzerland | +1.43 | −1.55 | −7.90 | +21.79 | +17.74 | −1.41 |
| UK | +2.63 | −1.07 | +4.99 | +15.44 | +15.44 | −3.34 |
| EUROPE | +0.85 | −2.94 | −6.20 | +15.45 | +14.23 | −4.36 |
| Australia | +1.71 | +4.45 | +0.66 | +21.58 | +44.10 | +20.66 |
| Hong Kong | +6.21 | +7.37 | +16.28 | +32.57 | +58.98 | +33.11 |
| Japan | −1.86 | −7.28 | −23.04 | +2.69 | +20.25 | +0.68 |
| Malaysia | −2.02 | −3.37 | +0.66 | +11.18 | +23.39 | +7.50 |
| New Zealand | +1.82 | +0.90 | −24.52 | +14.05 | +31.43 | +10.02 |
| Singapore | −1.62 | −8.24 | −9.79 | +20.77 | +41.99 | +18.89 |
| Canada | +0.04 | −3.01 | −1.36 | +4.84 | +27.07 | +6.41 |
| USA | +0.81 | −1.56 | +5.20 | +13.52 | +35.57 | +13.52 |
| Mexico | +7.09 | −1.46 | +124.72 | +84.61 | +115.91 | +80.79 |
| South Africa | +4.04 | +7.55 | +6.74 | +26.10 | +56.00 | +30.62 |
| WORLD INDEX | +0.06 | −3.54 | −7.83 | +10.79 | +25.40 | +5.06 |

† Based on July 5th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Ltd

By William Cochrane

SHAME and scandal in Tokyo left Japanese equities 1.9 per cent lower last week in local currency terms, following a 7.7 per cent drop for the month of June. The FT-Actuaries World Index did well to regain its equilibrium, closing with a rise of 0.1 per cent.

Among the other big battalions, the UK rose on base rate hopes and rescued the rest of Europe from a marginal 0.4 per cent decline. The US, ending the week mixed after the Fourth of July holiday, helped the aggregate with hopes of economic recovery. But it was left to Hong Kong and Mexico to provide the real excitement.

Hong Kong's 6.2 per cent gain was ignited by a cut in interest rates on Friday, June 28, and accelerated last Thursday on the airport agreement between the UK and China.

Mr Chris Sherwell of Smith New Court says Hong Kong, with its currency linked to the US dollar, tried to do the impossible when it imposed a unilateral increase in interest rates, against the US trend, at the end of May. He says the winning streak ahead of the airport decision was accompanied by a lot of activity in the futures market, which suggested a strong strain of anticipation.

Mexico, the world's best performer so far in 1991, had an untypical June with a fall of 4.3 per cent in local currency terms. Mr Toney Ewell of Bear Stearns says a depressed US market and profit-taking, triggered by a feeling that earlier gains had been overdone, caused the decline. The privatisation of Banca Cremi, which priced the bank at 3.4 times its balance sheet value, also weighed on the market.

July, says Mr Ewell, has seen very thin trading, but equities have risen on President Salinas's successful visits to European countries which, for example, have produced a promised investment by German companies in Mexico of US$3bn. In addition, cement companies went up 10 per cent last week, on rumours that the cement price will be lifted by between 5 and 10 per cent before the end of July.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | FRIDAY JULY 5 1991 | | | | | | | | THURSDAY JULY 4 1991 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1991 High | 1991 Low | Year ago (approx) |
| Australia (70) | 142.44 | +1.0 | 130.68 | 124.57 | 135.26 | 123.77 | +0.8 | 5.19 | 140.99 | 130.24 | 123.97 | 134.51 | 122.84 | 147.30 | 112.74 | 147.78 |
| Austria (20) | 170.63 | −0.4 | 156.54 | 149.23 | 162.03 | 162.35 | −0.6 | 1.70 | 171.38 | 158.27 | 150.65 | 163.46 | 163.14 | 222.37 | 167.00 | 260.74 |
| Belgium (49) | 123.97 | +0.1 | 113.73 | 108.41 | 117.72 | 115.10 | −0.2 | 5.13 | 123.91 | 114.46 | 108.94 | 118.21 | 115.35 | 151.20 | 121.73 | 151.55 |
| Canada (115) | 138.36 | −0.2 | 126.93 | 120.99 | 131.37 | 114.56 | −0.2 | 3.40 | 138.69 | 128.11 | 121.94 | 132.30 | 114.74 | 142.27 | 126.49 | 137.87 |
| Denmark (37) | 241.40 | +2.2 | 221.47 | 211.11 | 229.23 | 231.47 | +1.6 | 1.62 | 236.27 | 218.25 | 207.75 | 225.40 | 227.78 | 270.56 | 217.74 | 261.47 |
| Finland (16) | 91.48 | −0.5 | 83.93 | 80.01 | 86.87 | 83.74 | −0.5 | 2.86 | 91.94 | 84.93 | 80.85 | 87.72 | 84.14 | 125.15 | 90.00 | 136.29 |
| France (114) | 122.20 | +1.3 | 112.12 | 106.86 | 116.03 | 118.61 | +0.7 | 3.73 | 120.60 | 111.41 | 106.04 | 115.05 | 117.77 | 152.26 | 120.60 | 158.80 |
| Germany (65) | 103.46 | +0.7 | 94.92 | 90.50 | 98.25 | 98.25 | +0.2 | 2.28 | 102.74 | 94.91 | 90.35 | 98.01 | 98.01 | 125.36 | 102.03 | 138.18 |
| Hong Kong (55) | 162.14 | +1.2 | 148.76 | 141.80 | 153.98 | 161.69 | +1.2 | 4.79 | 160.22 | 148.00 | 140.87 | 152.85 | 159.76 | 162.14 | 119.62 | 139.75 |
| Ireland (16) | 142.93 | +1.3 | 131.13 | 125.00 | 135.72 | 137.24 | +0.7 | 3.72 | 141.08 | 130.28 | 124.01 | 134.55 | 136.25 | 182.46 | 132.88 | 189.55 |
| Italy (77) | 71.28 | +1.0 | 65.40 | 62.33 | 67.68 | 72.33 | +0.5 | 3.23 | 70.54 | 65.16 | 62.02 | 67.29 | 71.95 | 88.23 | 70.54 | 104.61 |
| Japan (474) | 125.62 | −0.1 | 115.25 | 109.86 | 119.30 | 109.86 | −0.7 | 0.77 | 125.77 | 116.18 | 110.58 | 120.00 | 110.58 | 146.97 | 118.35 | 149.71 |
| Malaysia (68) | 228.04 | −0.1 | 209.22 | 199.42 | 216.54 | 245.35 | −0.1 | 2.67 | 228.32 | 210.90 | 200.74 | 217.81 | 245.84 | 247.78 | 192.83 | 234.81 |
| Mexico (16) | 1055.61 | +3.1 | 969.38 | 924.04 | 1003.35 | 3483.62 | +3.1 | 1.54 | 1025.28 | 947.08 | 901.50 | 978.13 | 3380.32 | 1079.72 | 534.45 | 494.63 |
| Netherland (31) | 130.27 | +0.3 | 119.51 | 113.92 | 123.70 | 122.27 | −0.1 | 4.38 | 129.89 | 119.98 | 114.21 | 123.92 | 122.42 | 145.73 | 125.70 | 141.16 |
| New Zealand (13) | 48.32 | +1.1 | 44.33 | 42.26 | 45.88 | 45.23 | +1.2 | 7.76 | 47.78 | 44.13 | 42.01 | 45.58 | 44.72 | 54.64 | 41.18 | 66.06 |
| Norway (32) | 186.76 | +1.2 | 171.34 | 163.33 | 177.35 | 180.55 | +0.8 | 1.63 | 184.56 | 170.48 | 162.28 | 176.07 | 179.17 | 223.24 | 182.24 | 237.04 |
| Singapore (38) | 189.35 | +0.4 | 173.72 | 165.59 | 179.80 | 154.10 | +0.4 | 2.22 | 188.53 | 174.15 | 165.77 | 179.86 | 153.43 | 208.25 | 151.63 | 202.45 |
| South Africa (61) | 238.89 | +2.4 | 219.17 | 208.92 | 226.86 | 171.76 | +1.5 | 3.18 | 233.39 | 215.59 | 205.21 | 222.65 | 169.21 | 238.89 | 173.00 | 179.05 |
| Spain (55) | 142.71 | −0.1 | 130.92 | 124.80 | 135.51 | 123.84 | −0.6 | 4.32 | 142.88 | 131.98 | 125.63 | 136.31 | 124.53 | 171.12 | 131.51 | 173.80 |
| Sweden (26) | 185.03 | +0.6 | 169.75 | 161.82 | 175.71 | 180.85 | +0.2 | 2.45 | 183.84 | 169.82 | 161.65 | 175.39 | 180.57 | 204.12 | 146.60 | 230.80 |
| Switzerland (58) | 87.68 | +0.4 | 80.44 | 76.68 | 83.27 | 85.62 | −0.1 | 2.25 | 87.36 | 80.70 | 76.82 | 83.36 | 85.74 | 100.87 | 82.17 | 108.16 |
| United Kingdom (240) | 160.14 | +1.2 | 146.92 | 140.04 | 152.06 | 146.92 | +0.5 | 4.99 | 158.28 | 146.19 | 139.14 | 150.97 | 146.19 | 167.44 | 156.27 | 169.12 |
| USA (526) | 151.34 | +0.2 | 138.84 | 132.35 | 143.72 | 151.34 | +0.2 | 3.19 | 151.05 | 139.53 | 132.82 | 144.11 | 151.05 | 158.24 | 126.95 | 144.91 |
| Europe (838) | 128.67 | +0.9 | 118.05 | 112.53 | 122.19 | 120.50 | +0.3 | 3.96 | 127.50 | 117.78 | 112.11 | 121.64 | 120.08 | 151.52 | 125.60 | 152.23 |
| Nordic (111) | 178.71 | +1.3 | 163.95 | 156.29 | 169.70 | 166.29 | +0.8 | 1.96 | 176.36 | 162.90 | 155.06 | 168.24 | 164.89 | 200.81 | 156.55 | 213.54 |
| Pacific Basin (718) | 127.12 | +0.0 | 116.62 | 111.17 | 120.71 | 111.68 | −0.5 | 1.14 | 127.14 | 117.45 | 111.80 | 121.30 | 112.26 | 145.92 | 117.86 | 149.14 |
| Euro−Pacific (1556) | 128.06 | +0.4 | 117.48 | 111.98 | 121.59 | 115.97 | −0.2 | 2.26 | 127.61 | 117.87 | 112.19 | 121.73 | 116.17 | 147.66 | 121.29 | 150.80 |
| North America (641) | 150.45 | +0.2 | 138.03 | 131.59 | 142.89 | 148.86 | +0.2 | 3.20 | 150.19 | 138.74 | 132.08 | 143.31 | 148.60 | 157.04 | 125.91 | 144.39 |
| Europe Ex. UK (598) | 109.70 | +0.7 | 100.64 | 95.95 | 104.19 | 105.14 | +0.2 | 3.19 | 108.91 | 100.61 | 95.78 | 103.93 | 104.90 | 129.80 | 106.85 | 140.53 |
| Pacific Ex. Japan (244) | 142.00 | +0.9 | 130.27 | 124.20 | 134.85 | 127.98 | +0.8 | 4.55 | 140.75 | 130.02 | 123.78 | 134.29 | 127.00 | 145.66 | 111.40 | 141.56 |
| World Ex. US (1748) | 130.11 | +0.4 | 119.37 | 113.80 | 123.56 | 117.36 | −0.1 | 2.32 | 129.61 | 119.72 | 113.97 | 123.65 | 117.50 | 148.16 | 122.32 | 150.84 |
| World Ex. UK (2034) | 133.99 | +0.2 | 122.93 | 117.19 | 127.25 | 128.08 | −0.1 | 2.39 | 133.70 | 123.50 | 117.58 | 127.56 | 128.15 | 145.77 | 120.06 | 145.51 |
| World Ex. So. Af. (2213) | 135.62 | +0.3 | 124.42 | 118.61 | 128.79 | 127.88 | +0.0 | 2.64 | 135.22 | 124.91 | 118.91 | 129.02 | 127.70 | 148.66 | 122.82 | 147.41 |
| World Ex. Japan (1800) | 143.25 | +0.5 | 131.42 | 125.28 | 136.05 | 138.01 | +0.3 | 3.52 | 142.50 | 131.64 | 125.31 | 135.97 | 137.59 | 152.83 | 126.69 | 147.96 |
| The World Index (2274) | 136.30 | +0.3 | 125.04 | 119.20 | 129.43 | 128.06 | +0.0 | 2.64 | 135.87 | 125.50 | 119.47 | 129.63 | 128.07 | 149.01 | 123.28 | 147.60 |

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Amendments to indices for July 5 applied to New Zealand the related regional indices and The World Index. Latest prices were unavailable for this edition.

GENERALI BELGIUM
has acquired
LES PATRONS REUNIS
The undersigned acted as adviser to the sellers
BBL
June 1989

AMEV N.V.
has acquired the non-life broker-produced portfolios of
CORONA
The undersigned acted as adviser to the seller
BBL
September 1989

U.A.P. INTERNATIONAL
has taken a participation in
BUNDESLÄNDER
(Austria)
The undersigned initiated this transaction
BBL
December 1990

LA GARANTIE NATIONALE
has acquired from Cominière
a controlling interest
in
IMMOAF
The undersigned acted as adviser to the buyer
BBL
April 1991

AEGON INTERNATIONAL
has acquired
PRECAM
a subsidiary of
ATHENA
The undersigned together with Demachy Worms & Cie, acted as adviser to the seller
BBL
May 1991

ROYAL INSURANCE PLC
has sold
ROYAL INSURANCE S.A.
to
SUN ALLIANCE S.A.
The undersigned acted as adviser to the seller
BBL
May 1991

MERGERS & ACQUISITIONS
KNOW-HOW IN INSURANCE, ASSURANCE OF KNOW-HOW

BBL
Corporate Finance
Tel. 32-2-517 81 81
Bank Brussels Lambert

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